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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2226

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29 January 1982

# EAST EUROPE REPORT

## ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2226

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ECONOMIC CONSEQUENCES OF POLISH CRISIS IN EAST BLOC FORECAST

Frankfurt/Main FRANKFURTER ALLGEMEINE in German 21 Oct 81 pp 13-14

[Article by 're': "How the 'Poland Shock' Affects the East Bloc -- Economic Experts in CEPA Speak of Deficiencies Caused by the System and of Too High Armament Expenditures"]

[Text] The situation in Poland is becoming even more dramatic following the removal of Kania. More discussion is going on in the East bloc about the causes of economic problems than is generally known in the West. The following article is based on information provided by insiders in the East European economic bureaucracy. It presents the opinion of economic experts speaking more candidly than is usually the case. The article thus simultaneously reflects a portion of the intellectual scenery inside the Soviet sphere of influence.

Editorial Board

Official propaganda in the East bloc countries bases Poland's current economic problems exclusively on the existence and activity of the Solidarity union, claiming that it induced countless workers with no class consciousness to go on strike instead of working. On the other hand, the previous history that led to the present situation, the errors that were made, mainly under Gierek, are not subjects for discussion. Planning commission members in East bloc capitals as well as at CEPA's high-rise building in Moscow are afraid that the current problems in Poland could radiate to all of CEPA.

From the standpoint of these circles, the bungled economic situation in Poland is all the more unpleasant because they all know only too well that Poland's economic policy was "Marxist" -- with one exception. Only its noncollectivized agriculture did not correspond to socialist principles. In practice, however, agricultural policy was ideologically correct: It merely allowed the private farmer to vegetate on the fringes of economic life, not to expand.

CEPA economic policy experts are also irritated and dismayed by the fact that, according to their calculations, the pace of economic growth in Poland in the last 20 years has in part been faster than in other CEPA countries rather than slower.

And until last year, its problems on the domestic market differed from their own only in degree. The structural deficiencies were the same. The Russians in particular regarded Poland's supply problems as no cause for alarm. As far as the Russian public is concerned -- except for a few "showcase" cities -- today's "starvation" meat ration in Poland of 3 kg per person per month is a very good level of supply. For all these reasons there was nothing in Poland that was "non-socialist," and therefore there was no particular cause for dissatisfaction connected with conditions in the country.

This is also why the Russians have circulated a "political" reason for the debacle in Poland. They maintain that it can all be attributed to unsatisfactory political work by the Polish communists right from the start (translation: insufficient repression), that despite considerable difficulties, other socialist states had the masses well under control, a circumstance that gave them better opportunities to take the necessary steps "right down the line." So the error lies with the Poles, not with the system.

On the other hand, the planners and economic policy-makers all the way up to the highest party levels in the small East bloc countries do not view it that simply. They say there were also "material" causes in addition to the insufficient repression and lack of discipline. Roughly speaking, two schools of thought have developed. One of these, the "reformist-progressive," sees two causes that are nearly equal in significance. This version says on the one hand that system-related shortcomings are not permitting the economy to operate efficiently enough; on the other, boundless armament expenditures are placing an additional insupportable burden on economic productivity, which is already poor. The other explanation, supported by the conservatives, uses hindsight to determine as the most important cause of the economic problems solely the armament expenditures that were excessive to begin with.

Both groups complain that the political decisions on defense spending -- decisions which must be supported by all Warsaw Pact states and which are reached with no real participation by non-Soviets -- overlook economic capabilities. The Soviets also take it for granted that the public will accept any burden without rebelling.

There has been a particularly noticeable increase in the burden of expenditures for external and internal security ever since economic growth began to fall off in 1973. Growth rates dropped by 50 percent in the last half of the 1970's; according to the plan, they will decline by another third during the present 5-year period. By contrast, growth rates for defense spending have been climbing -- slightly, but without interruption -- with unflinching regularity. The armament effort has thus made proportionally increasing claims on the productivity of the economy. According to internal calculations by a respected East bloc research institute, the average increase in defense spending as a share of the gross national product of small East bloc countries came to about 15 percent between 1972 and 1980.

This same source says that over the last 5 years -- as was the case in the 1950's -- the armament industry, including civilian subcontractors, again became the strongest industrial complex in the East bloc. Given the increasingly more frequent supply bottlenecks in production and an uninterrupted and preferential supplying of the armament industry, the burden on the civilian economy will be all the

greater. And in construction as well as the consumer goods and foodstuffs sectors, supply to the security forces enjoys the highest priority.

Similarly, branches of industry that are on the list of civilian industries and come under consumer goods industry planning (Section B) have been "militarized" to a considerable degree. Insiders report that, of total domestic sales of passenger vehicles and trucks in the East bloc, one out of every three or four vehicles is distributed to the defense sector. On the one hand, there is a lack of manpower in the civilian economy (caused by inadequate technological equipment); on the other, the military and security services in the East bloc, except for the Soviet Union, have about 8 percent of the male population of working age bearing arms. The percentage is said to be even higher in the Soviet Union. The word is that, aside from Ceausescu, the political leaders of the small East bloc countries have never had the courage to put up even the slightest resistance to the escalation of defense spending.

Those who make economic policy hope that the Poland shock -- for which their interests permit them no sympathy -- will increase doubts in Moscow about the "natural law" of rising defense spending and that it might stimulate a rethinking of this policy. With the case of Gierke before their eyes, the party leaders in Budapest, Prague, Sofia and above all Warsaw might now be more inclined to wonder about the negative effect of the military effort on the political stability of their government and also to discuss it with their superiors in Moscow. The opinion held in these East bloc circles is that the resolute stance of the United States on armament affairs favors this tendency -- in other words, that external as well as internal impulses "might bring the Soviets to their senses."

Changes could not be initiated any other way, for the political climate in Moscow is thought now and for the medium term to be hostile to reform, a condition that tends to impede reforms in all of CEMA. Moreover, thanks to their "disciplined" population, the Russians do not feel so strongly the compulsion to improve economic productivity -- except for food production, which is "catastrophic" even for East bloc conditions. Furthermore, rising foreign exchange proceeds from the West are helping the Russians bridge the increasingly wider and deeper gaps in the fulfillment of their plans. So this gives them the opportunity to postpone the long-overdue economic reforms that would doubtless be accorded more influence by the civilian economy.

In addition, a threat to any positive change in economic policy is visible on the political horizon. Namely, there are politicians who are extracting a different lesson from the Polish debacle. Their view is that the model of "goulash communism" has been a total failure, thus proving the error of the "catch-up euphoria" relative to "capitalist" countries, a condition that has been kept more or less alive since Khrushchev's time. They say the socialist system has no chance of overtaking Western society in terms of affluence, so why not act accordingly and declare this competition absurd and unwanted? Instead, according to these "realists," the focus ought to be on political goals, above all on safeguarding the position of power. Computers ought to be used to help tighten up and centralize management of the economy.

Up to this point, this line of political thinking has not yet prevailed, but there are indications of a new trend; in the event of further mishaps, it could intensify. The majority of top party leaders are still pledged to raising the standard of living and are hoping that they can muddle through somehow. They feel that a drastic change of direction would constitute an admission of failure. The old and new Stalinists are not without influence, however. In any event, the East bloc's only real response thus far to the Polish challenge has been to reinforce its security apparatus.

7458

CSO: 2300/91

REPORT ON FULFILLMENT OF 9-MONTH ECONOMIC PLAN IN 1981

Sofia STATISTICHESKI IZVESTIYA in Bulgarian No 3, 1981 pp iii-vi

[Excerpt] GENERAL REMARKS

This publication appears once a quarter and contains annual, quarterly and monthly statistical data broken down by basic indices characterizing the socioeconomic development of the Bulgarian People's Republic.

The program of STATISTICHESKI IZVESTIYA comprises 12 sections:

- I. Basic data on the development of the national economy
- II. Population
- III. Living standard of the population
- IV. Labor
- V. Capital investment
- VI. Industry
- VII. Agriculture
- VIII. Transportation
- IX. Communications
- X. Internal trade and prices
- XI. Tourism
- XII. Foreign trade

Data for all sectors are broken down by organizational structure and composition of the enterprises for the period in question. National economic sectors and sectors of industry are presented in conformity with the classification of sectors approved by Order No. 309 of 19 April 1979.

Indices expressed in value terms are published in prices of the year in question. Annual indices of industrial and agricultural output, capital investment, goods turnover and prices, and foreign trade, and monthly indices for industrial output are calculated from values in comparable prices. Annual indices are calculated with 1970 as base, and those for a period of less than a year with the corresponding period of the preceding year as base.

Data on household monetary income, expenditures and consumption are from the representative observation of household budgets.

Data for the current year are preliminary and are subject to amendment in subsequent issues.

# Explanations of Abbreviations and Symbols

- 0 Quantity less than half of the respectively employed unit of measure
- No occurrence
- Data lacking
- PAK Industrial-agrarian complex
- APK Agroindustrial complex

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#### BULGARIAN ECONOMY DURING 9-MONTH PERIOD OF 1981

In fulfillment of the decisions of the Twelfth Congress of the Bulgarian Communist Party, the working people in the Bulgarian People's Republic have made new labor advances and have discovered additional reserves for raising efficiency in all spheres of the national economy. The plan for the social productivity of labor has been overfulfilled, as have the plans for net output, aggregate profit, and for the introduction of scientific and technical achievements into production; the average pay of manual and office workers has grown.

#### Industry

As a result of improvement in the organization of labor during the 1981 9-month period, the volume of total industrial output of state and cooperative industrial enterprises increased 5.6 percent over the corresponding period of last year. The highest production gain was achieved by state enterprises in the chemical and rubber industry 9.7 percent, the paper and pulp industry 8.7 percent, machine

building and metal-working industry 7.4 percent etc. An increase in the industrial output of state and cooperative industrial enterprises was achieved in all okrugs, with increases higher than the nationwide average achieved in 14 okrugs, including Vratsa 14.0 percent, Blagoevgrad 12.2 percent, Silistra 10.6 percent etc.

Out of the basic types of industrial products under observation, an increase was observed in the production of the following over the same period in 1980: television sets 21.8 percent, canned fruits 20.6 percent, silk fabrics 5.6 percent etc. As compared with the 1980 9-month period, there was a decrease in the production of such basic products as steel, lathes, tractors, battery-operated trucks, motor trucks etc.

#### Agriculture

Out of the observed agricultural animals in agricultural organizations and units, there was an increase over 1 October 1980 in the number of head of cows (5968 or 1.2 percent). The increase was comparatively more significant in Razgrad, Turgovishte, Khaskovo and Kyustendil okrugs.

During the 9-month period milk production of all kinds increased 28,266,000 liters, or 2.2 percent, over the same period last year. The following okrugs made comparatively more significant increases: Lovech, Mikhaylovgrad, Plovdiv, Plevan, Tolbukhin etc.

The meat produced from animals sold to purchasing organizations was 1323 tons more, in butchered weight, than in the 1980 9-month period.

The average milk yield per cow on fodder increased 42 liters over the 9-month period last year. The more significant increases were made by the following okrugs: Mikhaylovgrad, Plovdiv, Silistra, Tolbukhin etc.

Some 364,996 tons of cattle and poultry were sold, which is 9173 tons more than in the 1980 9-month period.

#### Capital Investment

During the 9-month period 4,338,100,000 leva were taken down, as compared with 3,763,400,000 leva in the 1980 9-month period, which is 15.3 percent more. The bulk of this was invested in material production sectors, with industry having the greatest share of capital investment.

For the modernization and reconstruction of existing production capacities 1,688,100,000 leva were taken down, as compared with 1,361,600,000 leva during the 1980 9-month period.

During the January-September 1981 period fixed assets worth 2,741,500,000 leva were put into operation, which is 17.9 percent more than during the corresponding period last year. Broken down by sectors, the greatest share thereof was in industry, agriculture, housing and public utilities, personal services and transportation.

## Transportation

During the elapsed period common-carrier transportation carried 1,309,200,000 passengers, or 3.7 percent more than in the same 1980 period.

Labor productivity per employee in all kinds of transportation operations increased over the third quarter of 1980 as follows: rail transportation 6.8 percent, motor transport 9.3 percent, maritime transportation 18.2 percent, river transportation 13.0 percent, and civil air transportation 19.4 percent.

## Communications

During the period under review 241,600 leva were realized from communication services, or 17,400 leva (7.7 percent) more than in the 1980 9-month period.

## Internal Trade

In the January-September period retail goods turnover worth 9,358,200,000 leva was realized by retail trade.

In comparison with the 1980 9-month period there was an increase in the sales of certain food and nonfood products such as meat and meat products, sugar, brynza [a sheep's milk cheese] and kashkaval [yellow cheese], butter, fresh fruits, cotton and silk fabrics, sewn goods, knitwear, shoes, furniture, electric washing machines, household refrigerators etc. As compared with the corresponding 1980 period there was a reduction in the sales of rice, sugar products, milk, fresh vegetables, grape wines, brandies, radio receivers, television sets, passenger cars etc.

## Foreign Trade

As a result of Bulgaria's expanding integration relations with CEMA-member countries and its collaboration with capitalist and developing countries, the country's foreign trade during the 9-month period reached 14,196,200,000 foreign-exchange leva, which is 1,926,500,000 foreign-exchange leva (15.7 percent) more than in the same 1980 period, with exports alone increasing by 713,100,000 foreign-exchange leva.

More than half of the increase achieved in commerce during the period under review was realized from trade with CEMA-member countries (1,033,800,000 foreign-exchange leva).

Our most important foreign trading partner was the USSR, trade with which amounted to 7,419,000,000 foreign-exchange leva and 52.3 percent of our total commerce.

Favorable changes took place also in the structure of our commerce. The share of exports represented by industrial good--and especially machine-building output--increased continuously.

On the basis of the results achieved during the 9-month period, effective measures must be taken to wind up the fourth quarter successfully, thereby assuring comprehensive fulfillment of the integrated plan for the country's socioeconomic development in 1981.

6474

CSO: 2200/44

## WATER MANAGEMENT PROJECTS OUTLINED

East Berlin PRESSE-INFORMATIONEN in German No 139, 1 Dec 81 pp 2-4

[Excerpts from paper by Dr Hans Reichelt, deputy chairman, GDR Council of Ministers and minister for environmental protection and water management, presented at GDR Council of Ministers' Third Seminar on Efficient Water Management, Dresden, 25 November 1981: "Use Water Efficiently and Sparingly"]

[Text] The resolutions of the 10th SED Congress focus the efforts of the water managers in all sectors of the economy on supplying the people with drinking water under all conditions, in a stable and qualitative manner, and on making available the necessary industrial water in order to guarantee dynamic growth in industrial production and intensification of agricultural production. This must be accomplished with an eye on the long-term development of water requirements and consumption and with a maximum of economic efficiency. In this way the water managers will make their contribution to the further realization of the main task in its unity of economic and social policy, the continuation of which, even under the complicated conditions of foreign policy and foreign trade, was also decided by the 10th Party Congress.

The key to satisfying water needs is to use it increasingly more efficiently. Water losses everywhere must be reduced and water waste eliminated. In all sectors of the economy specific water requirements must be lowered. Science and technology have a decisive contribution to make in this area. Reducing specific water requirements and water losses and efficient use of water in industry, agriculture and construction have a high priority today.

Implementing their new results is done by socialist intensification. In this way the tasks are to be solved which were set in the directive for efficient use of water in the 1981-1985 Five-Year Plan, for substantial growth in output, for greater efficiency and quality in the work of water management and among all water users. Their implementation comprises the primary content for realizing in the 1980's the economic strategy of the party of the working class in water management in all branches of the economy and sectors of our socialist society. Everywhere it is necessary to use water in an efficient way and not waste it. Further intensification of the overall economic reproduction process requires increasingly more efficient utilization of water. Since the third meeting of the SED Central Committee all these factors have taken on even greater importance.

## Dictate of Economic Reason

Water, like other natural resources in our republic, is not available in unlimited quantities. At present in the GDR, 44 percent of the natural water supply is used in an average year and almost 90 percent in a dry year. Today, in years with average amounts of precipitation, the economy uses the water in many watercourses up to seven times. Thus, the GDR numbers among the advanced industrial countries with the highest level of water utilization.

In years with average precipitation the natural supply is adequate to meet the increasing needs. But, it is indispensable to manage water in a more efficient way than has been the case so that in the future in dry years--like 1975 and 1976--a stable and high quality supply will be guaranteed for the people and all sectors of the economy, industry and agriculture. Thus, we will be guaranteeing that in the large cities and crowded industrial regions, where there are already high demands on the water resources, a continuous supply of water for all users of water will be assured under all conditions.

More efficient use of water is at the same time a dictate of economic reason. In order to pump, conduct, treat, transport and purify water high financial and material outlays, very expensive investments, are required. In the past 5-year period investments in water management have risen 42 percent as compared with the period 1971-1975. In the next 5 years the greater tasks for housing construction, especially in respect to the drinking water supply and treatment of waste water, must be taken care of with approximately the same material and financial resources. Intensification and rationalization with the help of science and technology are the means to this end. It is a matter of a better ratio between cost and benefit.

Another important reason is: an average of 650,000 kWh of electricity are required for every million cubic meters which are used as drinking water and are carried away, in purified form, as waste water. Efficient water use is at the same time a marked asset for our energy balance.

Finally, lower water requirements mean reduced pollution of the waters. And satisfying all demands for drinking and industrial water--even under extreme conditions--urgently requires multiple use of waters whose pollution must not increase further, but rather must be gradually reduced.

## Primary Directions for Efficient Management

For all these reasons, the directive for efficient water use establishes the goal of not exceeding a 1-percent average increase in annual water needs. This can be achieved primarily in two main ways. The available supply of ground water must be increased by geological exploration for additional deposits. On the basis of new scientifically based management systems with the help of EDP, at least 8 million cubic meters more will be made available every year from existing reservoirs, lakes and other bodies of water.

For the other, in industry the use of industrial water, which at present is annually 5.1 billion cubic meters, will be limited to 5.3 billion cubic meters by 1985.

That can only be achieved by an additional 25-percent decrease in specific water requirements. The use of drinking water from the public system for industrial purposes must be reduced by at least 15 million cubic meters. This amount will then be available for the increasing needs of the people and will help to save expenditures for new or expanded waterworks. The statement by Erich Honecker at the third meeting of the SED Central Committee is fully applicable here, too, namely that the cost of more efficient use of raw materials is far less than that of creating new capacities.

In cultivated agricultural areas, which are being equipped with new sprinkling systems, water use--as measured against current consumption--is to be reduced by 10 to 15 percent per hectare. This will be possible among other things through optimal use of measured amounts of water, with the help of EDP. Satisfying increasing water requirements and improving water quality with efficient use of water also urgently require repeated use of water. For this, it is essential to decrease pollution of the waters on a scale that is equivalent to the average annual quantity of waste water from the households of 5 million inhabitants.

In this respect, in the interest of high economic efficiency, the retention or recovery of valuable substances from waste water, as the pacemakers in the chemical industry and in other sectors of the economy are doing, will gain in importance. With recovery and retreatment not only industrial water, but also salts, heavy metals, ammonium, organic substances and many other, often expensive imported raw materials are recovered for the economy, and the capability for utilizing water is improved at the same time.

These are realistic goals. We have good starting positions for more efficient use of water. In the period from 1976 to 1980 the working people in industry succeeded for the first time in guaranteeing, with the same use of water as in the preceding five-year plan period, industrial goods production which had risen by 31.5 percent, at a time when industry's water requirements had gone up by 5 percent. Industry has not only reduced its specific requirements by 20 percent--as had been called for in the directive of the Ninth SED Party Congress, but rather by 26.5 percent. Thus, it was possible to save 230 million m<sup>3</sup> and 20 million kWh of electricity annually.

#### For Greater Availability of the Water Supply

Enormous efforts were made in water management to further expand particularly the metering system for the purpose of increasing the available supply, to use mathematical models and to automatically supervise and control river basins, completely or partially.

Through intensive utilization of existing reservoirs and other bodies of water with the help of scientific-technical measures it was possible, for example, to make 8 to 10 percent more water available for the economy between 1976 and 1980. Thus, for the first time the goal was achieved of increasing the available supply on a decisive scale by intensification of existing capacities rather than by building new reservoirs.

Cleaning up standing water contributes substantially to the efficient utilization of our water resources. Thus, in the period 1975-1980, in particular, 110 lakes were partly or fully cleaned up by sludge removal which led to significant improvement in the availability of water from these reservoirs.

In a number of Water Supply and Waste Water Treatment Plants, VEB, the collectives were anxious to lower water losses and gradually eliminate waste. To do this, they realized measures for preventive maintenance of the systems, for rapid repair of broken pipes and for rationalizing rinsing and cleaning processes. Last year the Berlin and Neubrandenburg Water Supply and Waste Water Treatment Plants, VEB, achieved good results; they reduced water losses by 5.6 and 3 percent, respectively.

#### Reducing Specific Water Requirements in Industry

The results of the Buna Chemical Works Combine, VEB, show that the efficient use of water provides a high economic benefit. From the introduction of water-saving technologies for new projects and on the basis of analyses of water management processes the result was an annual value of about M3 million. Similar measures in the "Siegfried Raedel" Rayon Works, VEB, Pirna, produced a yearly value of M1.13 million.

All the efforts aimed at reducing specific and absolute water requirements must be highlighted. The working people at the Zeitz Hydrogenation Works, VEB, among other things, intensified their efforts to save water which produced good results. Thus, the specific water requirements were reduced by 60 percent.

In many places possibilities were developed to feed drinking water from private supply systems into the public system for more efficient meeting of the needs of the people. Thus, the main enterprise of the Black Pump Gas Combine, VEB, in 1980 made 8 million m<sup>3</sup> of drinking water available to cities and villages.

The chemical workers in Nuenchritz prove how water can be saved by introducing new technologies and how at the same time a substantial economic benefit can be achieved. In this works the old system for producing sulfuric acid was replaced by a new one for liquid sulfur. While doubling production of sulfuric acid it was possible to reduce the specific water requirements per ton from 40 to 2 m<sup>3</sup>. In reference to the production capacity of the old system this means an annual saving of about 2 million m<sup>3</sup> of water. The plant was amortized in 2 years. The production method provides an economic benefit of M360,000 annually.

An important prerequisite for efficient use of water is the intensified work with norms and normative provisions for its consumption and use. In the Zeitz Hydrogenation Works, for example, 70 percent of the water for production and 77 percent of the cooling water used in the cycle are contained in intraplant norms. At the same time, such norms are the basis for socialist competition and the movement of the rationalizers and innovators.

The directive for efficient water use requires decreased pollution of water and at the same time recovery, to an increasing extent, of the valuable substances from waste water. In this, numerous collectives directed their attention to those water pollutants which serve as valuable secondary raw materials and which absolutely

must not be allowed to get into the waste water. Enterprises which operate in an exemplary manner prove that with the recovery of valuable substances significant economic reserves can be developed. Thus, in the Neuruppin Electro-Physical Works, VEB, copper is recovered from the sludge which accumulates in the ion exchange circulating system; it has a 15 to 20-percent copper content. With the saving of copper there is an annual value alone of more than M200,000, and the content of metal ions in the waste water was substantially reduced. There are still substantial reserves here in the GDR, as shown by a study.

#### Fundamental Role of Science and Technology

The results of scientific-technical progress play the fundamental role in the efficient use of water. Here, efforts in all sectors of the economy are directed toward developing water-saving technologies and introducing new cooling principles. Of special priority in this matter is circulation control.

There is concentrated work in progress on the development of processes to purify waste water in order to increase the performance of existing purification plants. Other scientific-technical measures apply to the reuse of waste water in the production process and the treatment of sludge. Special attention is given to the development and perfection of technologies which use little or no water in production, and also technologies for recovering valuable substances and secondary raw materials.

In the main enterprise of the Schwarzhilde Synthetics Works, VEB, SYS Combine, for years a very productive research group has been at work which is working effectively on practical tasks, particularly for the treatment of waste water. A number of results have been introduced into enterprise projects for efficient purification of waste water. Thus, it was possible to develop a peak load process, which meantime has been patented; it helped in the design and construction of a very efficient biological purification plant. With this new process M12 million in investments were saved.

#### Intelligent Utilization of Water in Agriculture

In agriculture it was possible to develop reserves in the efficient use of water by scientific penetration of the technological elements for water distribution. Drip irrigation is an example of efficient water utilization in fruit production. In this connection, even night sprinkling should be mentioned in which water-saving and energy-favorable operation join together.

For example, the Markneukirchen LPG [agricultural producer cooperative] for crop production in Karl-Marx-Stadt Bezirk demonstrates how very efficient soil utilization can be satisfactorily linked with systematic development of the natural environment. In this, the cooperative farmers endeavor to improve soil fertility by optimum crop rotation in combination with a variety of intensification projects and all natural factors. These include the use of liquid manure using a conduit, efficient ameliorating measures which are adapted to agriculture, and the orderly distribution of mineral fertilizers. In a new plant which is to be built for intensive keeping of fish clarifying ponds will provide for clean water flow from this plant.

In industrial animal production plants, too, great efforts were being made in order to handle water efficiently. This ranges from jobs for greater operational safety in self-watering in breeding and fattening plants to restricting water consumption in washing away liquid manure and to cleaning the plants. In reducing the use of water, among other things, high pressure devices for periodic cleaning have proven their value, as have the use of the broom in place of the hose for daily cleaning tasks and water-saving measures for cleaning the milking carousel. The constant control of water removal, of the accumulation of waste water and the continuous removal of liquid manure is also advantageous.

In the foodstuffs industry the experiences of the Rostock Milk Industry Combine, VEB, are exemplary. Here the systems for heating milk, which are equipped by the manufacturer with water cooling, are operated with cold raw milk as the coolant. This resulted primarily in the fact that every day 260 m<sup>3</sup> less drinking water are required and through this alone every year M10,000 in costs are saved.

#### Efficient Water Use Is Everyone's Business

In dwellings, social facilities and households, efforts are directed at eliminating water waste and water losses. Better preventive maintenance of the structural plants and guaranteeing stable pressure conditions help do this. The development and introduction of water-saving sanitary-technical systems, efficient systems for cold and hot water supply and reliable cutoff and control equipment also play an important role. There have been definite advances in the development and production of water-saving household appliances for washing and rinsing processes. Noteworthy in this connection are primarily the initiatives in the Schwarzenberg Washing Machine Factory, VEB, where with the newly developed washing machines up to 30 percent of the water is saved.

The directive on efficient water use in the 1981-1985 Five-Year Plan has triggered intensive work in ministries, combines, enterprises and the territories. In the past few weeks, primarily the comprehensive consultations with a large number of working people and party collectives on realizing the tasks and goals of the directive have proven their worth. Following thorough evaluation in all sectors of the economy effective measures for efficient water use were established. This was done for the most part through close collaboration by the partners involved. An important job was also the introduction of new state normative provisions for the use and consumption of water which were coordinated with the users.

The struggle for the honorary title "Exemplary Enterprise in Water Management" was carried out increasingly more effectively. Thus far, it was possible to honor 77 enterprises with the title. The goal is to continue the honorary title in a systematic manner, especially to attract even more enterprises to the competition for this honor. The enterprises and collectives already honored should defend the title after 3 years.

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## HUNGARY'S ECONOMY INTERNATIONALLY COMPARED, ANALYZED

Budapest TARSADALMI SZEMLE in Hungarian No 12, 1981 pp 3-16

[Article by Dr Mrs Ferenc Nyitrai: "The Hungarian Economy, An International Comparison"]

[Excerpts] The economic development of our homeland has reached a phase in the 1980's where, in the course of working out alternatives for development, we must weigh better than ever before our position in the world, our possibilities, our freedom of movement in the current and coming developmental phase of the world economy. Although the domestic market never provides, for a small country like Hungary, sufficient scope for an expansive development of the economy our openness has increased so much in the past decade as to make absolutely necessary, for the economic units and for the economy as a whole, a look at the other parts of the world. It follows from our openness that the phenomena and processes taking place in the world economy have an effect on us; this effect can be influenced by planning, organization and guidance, it can be limited or strengthened, but it cannot be eliminated.

We are in the habit of saying that we are a "small country" and this sometimes has a pessimistic ring. But this could be said with a positive emphasis also because it follows from our small size that if we recognize the currents of the world economy in time then we should be able to find a place for our products and activities, in accordance with our small size, among the larger countries and be able to limit the effect of the recessionary phenomena of the world economy. Naturally this requires flexible adaptability and makes necessary the timely recognition of lasting tendencies.

To this end we should review the past decade, which produced quite tangible trend changes in the world economy and world market.

## A Broad International Comparison of Our Economic Development

On three occasions in the past decade the UN has compared the development of countries on the various continents, primarily on the basis of the production of the gross domestic product.<sup>1</sup> The first comparison pertained to 1970, the next to 1973 and the relatively most recent to 1975. The results of the latter were recalculated for 1979 on the basis of published national data pertaining to a narrower sphere of participating countries.

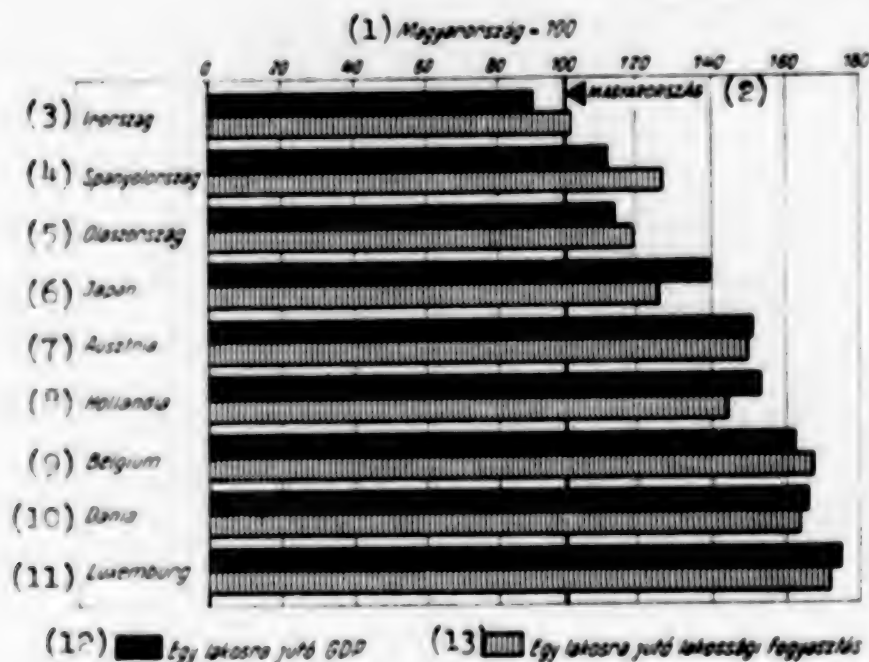
These comparisons--like other multilateral international comparisons--are suitable for comparing the development and chief developmental factors of our homeland with those of other countries in regard to size. We cannot get precise information about details, about the phenomena and processes behind the averages, from multilateral comparisons, partly because of limits on the precision of the methods and partly because of frequently significant deviations in the status, structure and natural conditions of the countries being compared.

Ten countries participated in the 1970 UN comparison: The United States, Great Britain, France, India, Japan, Kenya, Columbia, the FRG, Italy and Hungary. In 1973 the comparison was extended to an additional six countries: Belgium, Holland, the Philippine Islands, Iran, the Korean Republic (South Korea) and Malaysia. Additional countries were included in the 1975 comparison.

The 1973 data show that in Hungary the per capita gross domestic product reached 45 percent of the value pertaining to the United States, somewhat below the Italian developmental level where the per capita gross domestic product was 47 percent as compared to the United States.

The following graph shows the size of the per capita gross domestic product and per capita consumption by the populace in 1975, the values for Hungary being set at 100 percent:

Per Capita Gross Domestic Product and Consumption by the Populace in 1975



**Key:**

1. Hungary equals 100
2. Hungary
3. Ireland
4. Spain
5. Italy
6. Japan
7. Austria
8. Holland
9. Belgium
10. Denmark
11. Luxemburg
12. Per capita GDP
13. Per capita consumption by populace

According to the data pertaining to 1979 the difference between our homeland and a few countries more developed than us (primarily Belgium and Holland as well as Italy and Spain in southern Europe) decreased in regard to the level of the per capita gross domestic product. Compared to Austria our level remained almost the same; the Austrian advantage is 51 percent. Our per capita consumption by the populace hardly changed compared to the countries studied; the backwardness increased somewhat compared to Austria and Japan but decreased a little compared to Denmark, Italy and Spain; but the differences amount to only a few percent.

We could compare the present developmental level of our homeland to the world average on the basis of a few generally recognized indexes. It is well known that such general indexes include, for example, per capita food consumption, per capita steel use, newspapers published per 1,000 inhabitants, per capita energy consumption, etc. On the basis of these indexes our status as compared to the world average shows the following picture at the end of the 1970's:

In regard to food consumption we are among the leaders in Europe and even ahead of it in our consumption of animal products. Our daily per capita consumption of calories of animal origin was 1,208 in 1979 as compared to a European average of 1,095 calories and a world average of 441 calories. The level of our steel consumption is not small--377 kilograms per capita in 1978 (the European average was 178 kilograms in 1977 and the trend was decreasing in the 1970's). Our status is also advantageous in regard to foodstuffs production. A few other indexes of economic development are not so favorable. For example, here are a few indexes for transportation and communications: We are far below the European average in regard to number of radio sets per 1,000 inhabitants; the picture is more favorable in regard to television sets per 1,000 inhabitants--the European average was 246 in 1976 while the Hungarian figure was 236. We are very backward in regard to the number of telephones per 100 inhabitants--in 1978 there was an average of 30 in Europe but only 10.7 in Hungary.

The development of the volume of investments is an important factor for economic development. From this viewpoint the picture has been very mixed in the past decade in the European countries and in the economically developed countries outside of Europe. In a period of world economic crisis the recession has a strong effect on investments; the level of investments decreased in the early 1970's in most countries with a developed industry and began a new dynamic development only in the second half of the 1970's. Looking at the developed capitalist countries, the volume of

investments decreased somewhat between 1971 and 1975 in Denmark (by an average of 0.9 percent per year), Holland (by an average of 0.8 percent per year) the FRG and Italy (by an average 1 percent per year in both countries) and Switzerland (by an average of 0.4 percent per year). There was also a decrease, although of insignificant magnitude, in the investments of the United States, by an average of 0.1 percent per year. Dynamic growth could be found only in Canada and Norway, of the developed capitalist countries--an average of 7.1 percent per year in the former and 8.7 percent in the latter in this period.

The volume of investments increased significantly in this period in the European socialist countries--an average 8 percent per year in Bulgaria and Czechoslovakia, 7 percent in the Soviet Union and a similar figure in our homeland. A dynamic volume increase could be experienced after 1975 also. As a result of this the level of investments in 1979 was 2.5 times that of 1970 in Romania and 2.3 times that of 1970 in Poland; the volume of investments increased by 71 percent in Bulgaria in these 9 years; the increase was of similar magnitudes in Czechoslovakia, the Soviet Union and our homeland (66, 62 and 68 percent respectively) and the increase was 49 percent in the GDR.

The increase in investments was substantially slower in the countries of the capitalist world. Between 1970 and 1978 it came to 20 percent in Belgium, 25 percent in France, 10 percent in the FRG and only 3 percent in Great Britain.

#### The Status of Our Industry, An International Comparison.

Industry in our homeland employs a significant proportion of the population. In 1979 the domestic ratio was 16.2 percent; the ratio of those employed in industry was higher than this in the GDR (22.4 percent), Czechoslovakia (18.5 percent) and Bulgaria (17.1 percent). In the course of the comparison we must remember that the level of labor productivity is substantially lower in our homeland than in a good number of developed capitalist and socialist countries in Europe (including, for example, the GDR and Czechoslovakia). So the proportion of the population employed in the industry of the several countries does not in itself give a realistic picture of the relative development of industry.

The production of our industry expanded significantly in the past decade. Although an increase in volume does not necessarily mean an increase in the developmental level of industry (including the quality and economicalness of products) we can convince ourselves that the crisis phenomena in the world economy in the 1970's did not limit the expansion of the production of our industry.

In the area of per capita production of the most important industrial products our level lagged significantly behind that of the leading countries.

# Index of Industrial Production and Per Capita Production of a Few Important Industrial Products

Per capita production, 1979

Country	Index of industrial production 1979 (1970 equals 100)	Energy, in coal equivalent value, kilograms <sup>b</sup>	Electric power, kWh	Artificial fertilizer (effective material) kilograms	Steel, kilograms
Austria	140	1 332	5 388	50	722
Bulgaria	199	1 589	3 681	77	281
Czechoslovakia	168	5 482	4 469	78	972
Great Britain	113	4 389	5 153	37	364
France	134	863	4 508	95	437
Holland	132	7 030	4 594	133	414
Yugoslavia	195	1 278	2 478	31	105
Poland	205	6 113	3 335	68	548
Hungary	164	1 966	2 292	97	365
CDR	166	4 952	5 784	280	419
FRG	124	2 691	6 026	83	775
Sweden	117	1 087	11 360c	36	570
Soviet Union	172	7 096	4 700	83	566
United States	143	9 268	10 212c	102	559
Canada	145	11 149	14 872c	398	679

a. with construction industry, b. in 1978, c. net production

Even with the relatively swift growth of the production of our industry the productivity level of industrial work is substantially lower than that of countries more developed than we or even of those with development similar to ours. Although the volume of industrial investments increased by 82 percent between 1970 and 1979 the technical level of our industry, in comparison with Europe, reached at best the medium development level and in many areas only approached it. Inequalities could also be experienced in industrial development. For a relatively long time product development, increasing the variety of new products, stayed ahead of the development of manufacturing, that is of technological progress. Within this phenomenon the modernization or renewal of technology in the basic production processes took place more quickly than in the work processes aiding them and in the area of material movement and packaging. The latter also contributes to the backwardness of our productivity level.

We have information concerning these factors and effects not only in regard to multilateral international comparisons; bilateral comparative material is also available which points to the causes and background of the phenomena. These comparisons (which experts of the participating countries compiled on the basis of more detailed data and more fundamental analyses) provide more precise information than the multilateral comparisons about individual areas of the economy.

## A Comparison of the Productivity of Austrian and Hungarian Industry

The Central Statistics Office, with its Austrian partner, compared the productivity of Austrian and Hungarian industry for the first time in 1965, and this comparison indicated that our backwardness in industry was significant in general, but

especially in the machine industry. We repeated the comparison for 1975, thus for the period following the world market price explosion; at that time Hungarian industry was still growing relatively quickly. The repeated comparison showed that the backwardness of our productivity level had increased further in the 10 years which had elapsed, in industry as a whole and in the machine industry as well.

In regard to 1975 we examined in more detail the differences in the productivity level for the food industry, for metallurgy and for the metal working industry and machine manufacture. All three of these branches are significant in the economies of both countries; the ratio of their combined production in industry in 1975 was 57 percent in Hungary and 50 percent in Austria. A greater difference appeared in the food industry, the ratio of which came to 19.3 percent in the production of Hungarian industry and 13.4 percent in that of Austria. The ratio of metallurgy was the same in both countries, 9.1 percent, but the composition of it differed. In Austria ferrous metallurgy provided 87 percent of the production of the branch while in Hungary it provided 79 percent, considering that aluminum manufacture based on the Hungarian bauxite deposits represented a greater ratio.

The work productivity of the Austrian metal working and machine industry (in the comparable sub-branches) exceeded the Hungarian by 64 percent; in metallurgy the difference was 18 percent and in the food industry it was 16 percent, in favor of Austria. There was only one of the machine industry sub-branches where the work productivity level of the Hungarian enterprises was considerably higher and this was highway vehicle manufacture, developed on the basis of a government program with well organized cooperation. Here the Austrian productivity did not reach half that of the Hungarian. The difference was 40-70 percent, in favor of Austria, in the manufacture of household electric devices, in the electric motor industry, in the manufacture of metal and woodworking machines, in ship and boat building and in the manufacture of so-called other electrotechnical equipment and other transportation devices. Austrian productivity was 2.1-2.6 times that of Hungarian industry in the production of agricultural machines and tractors, precision engineering and optical devices, steel and light metal structural elements, telecommunications products, power machines, pumps and compressors and various iron and steel products and in so-called work machine and other machine manufacture. The greatest difference, in favor of Austria, was in the manufacture of rail vehicles, where Austrian productivity was almost three times that of the Hungarian, and in the production of motorcycles and bicycles, where it was 2.8 times.

A number of reasons explain the very different productivity levels in the several sub-branches. In 1975 the Austrian machine industry participated in international production cooperation substantially more intensively than Hungary and as a result its product structure was more favorable also. In addition, the internal cooperation of the Austrian machine industry was a good bit more developed than the Hungarian. In the branches having the character of background industry, for example in the manufacture of various iron and steel products, the Austrian productivity level was 2.6 times that of the Hungarian. In Austria these products were produced by enterprises specialized for this purpose. Another factor in the productivity differences was that machine assembly activities dominated in the Austrian machine industry. The manufacture of parts and sub-assemblies was provided by cooperation, partly within the country and partly international. In addition, in half of the machine industry branches, the value of the mechanical investments in operation per unit of production was at least 20 percent higher than in our homeland.

The manufacture of telecommunications products was the only sub-branch where the level of domestic investments per unit of production was higher than in Austria; despite this the productivity level of Austrian work exceeded that of the Hungarian by a good bit. One reason for this is probably that the ratio of assembly work, which is less labor intensive, is higher in the Austrian telecommunications industry and that in our homeland, in addition to the manufacture of telecommunications end-products, a great majority of the structural elements are produced within the branch also--at a quite low productivity level.

In the manufacture of household electrical devices also the lack of internal cooperation explains the advantage of Austrian industry, although a few significant household machines are manufactured in larger series in our homeland and series size should have a favorable effect on productivity.

The difference between the two countries is relatively small in the work productivity of the food industry, although the spread is large. There were four branches where the productivity of Austrian industry did not reach that of the Hungarian--the meat industry (the lag was 9.5 percent), the baking industry (Austrian productivity was lower by more than 10 percent), the manufacture of wine, alcohol and distilled beverages (the difference was 20 percent), and the manufacture of other foodstuffs and luxury items (with a difference of 36 percent). The advantage in the productivity of Austrian industry was between 10 and 30 percent in tobacco processing and beer and malt manufacture and between 60 and 90 percent in the manufacture of chocolate and sweets, in the milk industry, in the manufacture of soft drinks and fruit juices and in the milling industry; the productivity of the Austrian sugar industry and canning industry was more than three times the productivity of Hungarian industry.

The level of mechanization was substantially higher in these sub-branches in Austria than it was in Hungary. The use of electric power per employee in the Austrian food industry was almost twice the domestic level. One reason for the great difference noted in the sugar industry was that the equipment of the Hungarian sugar factories was quite obsolete in the mid-1970's; modernization has taken place since then. There was a significant modernization in the sugar industry of Austria in the 1960's.

In the canning industry the personnel management of the Austrian enterprises was substantially more flexible than that of the Hungarian ones. Here in the dead season the canning industry employs on a permanent basis only 7 percent fewer people than in the peak season. In Austria the magnitude of the swing in numbers employed was 32 percent.

The productivity level of Austrian industry was 21.9 percent higher than that of Hungarian industry in iron and steel manufacture but only 3.6 percent higher in non-ferrous metal manufacture. In ferrous metallurgy this is explained primarily by the difference in the product structure. More labor-intensive products represented a substantially higher ratio in the production of ferrous metallurgy in Austria; almost 23 percent of all production consisted of steel pipe, fine rolled sheet, cylinder pipe, steel tape, steel castings and forged or stamped steel. The ratio of these products within Hungarian ferrous metallurgy was only 13.6 percent. (A larger labor expenditure does not mean a higher price by a similar amount.)

We calculated the differences in productivity for 1977 also and found that the productivity difference in metallurgy continued to decrease (the advantage of Austrian metallurgy was only 10 percent). But the backwardness of our productivity level increased in the food industry and remained almost the same in the machine industry.

It seems justified to supplement the comparison of productivity with a comparison of specific material and energy expenditures in order to examine the relative position of our efficiency from more sides. There have been no such bilateral comparisons in recent years; this will be an important task for the years ahead.

#### Technical Level--Technological Renewal

We compared the development of our technical level for the period between 1970 and 1978 with that of Yugoslav industry. In this period the inventory of machines and equipment used in industry increased by 110 percent in Yugoslavia and by 117 percent in Hungary. The renewal of machine inventories was very significant in the Hungarian chemical industry, petroleum processing and manufacture of rubber and plastic products (in 1975 the ratio of new machines reached 27 percent of the machines in operation and between 1976 and 1978 it reached about 12 percent). The mechanization of the electric power industry and of the wood processing and furniture industry was outstanding in Yugoslavia (15-19 percent).

The difference was not significant in regard to the automation of industry (by the end of the 1970's this was 62 percent in Hungary and 68 percent in Yugoslavia). Within this the ratio of fully automatic machines in Yugoslavia considerably exceeded the domestic ratio.

The age composition and average age of machines in Yugoslav industry was somewhat more favorable.

Foreign cooperation contacts greatly aided technological renewal. According to a UN report published in March 1981<sup>2</sup> production cooperation between European capitalist countries and socialist countries expanded significantly in the 1970's. In 1977 58.2 percent of the cooperation contracts of Hungarian enterprises with European capitalist countries were production cooperation contracts and 14.2 percent were jobwork contracts. Our cooperation contracts linked to the takeover of licenses represented 40 percent of all cooperation. We signed the majority of the cooperation contracts (54 percent) with medium sized enterprises.

Small and medium sized western European enterprises play a key role as cooperation partners in the machine industry.

An earlier study by the OECD<sup>3</sup> examined technological cooperation, drawing conclusions based on data for 1970-1977. The report considers as "technology transfer" those investment goods, semi-finished products and consumer articles the technology content of which is relatively large. Products with a technology content made up 72.7 percent of the export of the OECD countries to the socialist countries, the greater proportion being investment goods. In contacts going the other way, import by the OECD countries, the ratio of products with a technology content came to only 23.8 percent.

Semi-finished products with a technology content occupied an outstanding place in the export of OECD countries to our homeland (their ratio in OECD export was 42.1 percent in 1970 and 43.7 percent in 1977). They exported investment goods to our homeland in smaller but swiftly growing amounts (19.4 percent and 26.2 percent respectively). The high ratio of our semi-finished products import is outstanding among the CEMA countries while in regard to the ratio of investment imports we are in the second lowest place, after the GDR. This means that to a large extent the development of our industry was based on parts and subassemblies deriving from capitalist import, because of the backwardness of our background industry.

Hungary's share in the export by OECD countries to socialist countries of products with a technology content was 8.3 percent in 1977 (8.9 percent in 1970). Within this the OECD countries delivered to our homeland primarily investment goods used in the machine industry and textile clothing machines. The ratio of machines and equipment used in the machine industry was at the Czechoslovak and GDR level.

Very noteworthy is the finding of this report that the ratio of products incorporating technologies requiring a significant degree of research and development is quite low in export by OECD countries to socialist countries, averaging only 2.4 percent. The ratio of technologies requiring a moderate degree of research and development varied from 15 to 24 percent, country by country; in 1977 Romania represented the lower limit and Hungary represented the upper limit. The ratio of technologies requiring least research and development was surprisingly high in OECD export to our homeland, 72 percent.

These few data show that we have not sufficiently concentrated our capitalist import resources on the take-over of technologies representing a higher research and development level, which would mean a swifter renewal of the technical level of our industry.

Another OECD study<sup>4</sup> studied the development of innovation activity by 11 countries from the early 1960's to the middle 1970's. This study pertained to Belgium, Canada, France, the FRG, Italy, Japan, Holland, Sweden, Switzerland, Great Britain and the United States, comparing the relative magnitude of research and development costs financed on the part of industry with data for Great Britain. The study also involved a more general index which projected research and development costs financed on the part of industry per unit of population, comparing the 1975 data thus generated to that for 1967. It can be established from these data that in the 8 years examined the specific research and development growth was swiftest in Japan, the magnitude of the increase was 89 percent, followed by Sweden with 73 percent, Italy and Switzerland with 48 and 47 percent respectively, the FRG with 38 percent, France with 36 percent and Belgium with 33 percent growth. Growth was small in Holland and Canada (4 and 3 percent respectively) and a decrease could be found in Great Britain--8 percent in 8 years.

According to comparable Hungarian data the value of research and development costs financed by industry per unit of population increased by 71 percent between 1968 and 1975, similar to the Swedish growth of the countries figuring in the OECD study. But the value of total research and development expenditures per capita, calculated into dollars, in our homeland in 1967 was barely half the figure for Great Britain; by the mid-1970's, however, it was considerably greater, because the ratio of specific research expenditure costs decreased in Great Britain.

The ratio of expenditures for scientific research and development as compared to national income increased in the CEMA countries in the 1970's. In this respect we occupied third place, with a 3.7 percent expenditure ratio, after the Soviet Union (4.6 percent) and Czechoslovakia and the GDR (4 percent for both).

It is worthy of note, however, that in these three countries the number of inventions recorded in the 1970's increased significantly while in our homeland there was stagnation and, in some years, a decrease.

Naturally one cannot draw far-reaching conclusions from these data. But we can say that our backwardness in industry in regard to productivity, efficiency and sometimes competitiveness is not caused primarily by the limited nature of research and development expenditures. On the basis of what has been done recently we could have attained a potentially more favorable position. But the practical utilization of these expenditures in the innovation process takes place sometimes later and sometimes with greater losses than in the OECD countries included in the comparison. A role in this is played by the quite clumsy adaptability and by problems of cooperation among organizations participating in the innovation chain from research to marketing. It is also probable that some of these expenditures did not serve innovation directly but rather covered other costs under this heading (although we have no data on this).

#### An International Comparison of Agriculture

Hungarian agriculture has developed without a break in the past 20 years. Both total production and the yields of the chief products have increased significantly. In 1980 the gross production of agriculture in the world, as an average, exceeded the 1975 level by 10 percent; within this the increase in agricultural production was 5 percent for the CEMA countries, 7 percent for the developed capitalist countries (10 percent for the countries of the Common Market) and 13 percent for the developing countries. In Hungary in these 5 years growth reached 12 percent. Of the countries of the Common Market France (17 percent) and Holland and Great Britain (15 percent) achieved the greatest growth.

The structure of agriculture was modernized significantly. Animal husbandry represents an ever greater ratio in the activity of our agriculture; its growth was 16 percent between 1975 and 1979, as compared to a 2 percent increase in crop production. As an average the situation is different in the CEMA member countries. As an average the growth rate for crop production was swifter, 11 percent, determined basically by the 14 percent increase in crop production by the Soviet Union; but the increase in Romanian crop production was swifter than the average also (25 percent in 4 years). Romania was also outstanding in the development of animal husbandry, with a 30 percent increase in 4 years. This was followed by our homeland with a 16 percent increase and Bulgaria with a 15 percent increase between 1975 and 1979.

In the camp of CEMA countries the share of Hungary is outstanding in corn--around 22 percent in 1979 and 1980. Our share in wheat production (4.8 percent in 1980) is worthy of note. Because of the size of our homeland our role in world production is only 1-2 percent; what is remarkable is that in 1980 we produced 1.8 percent of all world corn production, 1.4 percent of the wheat production and 1.5 percent of the sugar beet production. In regard to world livestock our role in hog raising is significant; in 1980 we maintained 1.1 percent of all hogs in the world, taking first place (together with the GDR) in the camp of CEMA countries. Our cattle production is only 0.2 percent of total world production; that of domestic fowl is 0.9 percent.

In regard to average yields of wheat our homeland achieved outstanding results on a world scale in 1980 with an average yield of 4,760 kilograms per hectare. This significantly exceeded the Czechoslovak achievement (4,510 kilograms) which is second after ours among the CEMA countries; it was a good bit greater than the 4,460 kilogram average achieved in the countries of the Common Market and was not very far from the leaders among the Common Market countries. In 1980 Holland showed the greatest results with a production of 6,200 kilograms of wheat per hectare, followed by Great Britain with 5,620 kilograms, France with 5,150 and the FRG with 4,910 kilograms.

Our average yields are favorable in sugar beets also. In 1980 the production of 37,640 kilograms per hectare was the best among the CEMA countries, but lags significantly behind the average level achieved in the countries of the Common Market.

Our place is favorable in per capita meat production also. The world average in 1980 was 33 kilograms; the average of the Common Market countries was 83 kilograms, that of the CEMA countries (not counting Cuba) was 67 kilograms while Hungarian meat production reached a value of 133 kilograms. In Europe only Holland produced an average greater than this (140 kilograms).

In 1978 Hungarian agriculture employed 19.3 percent of all earners. The ratio of agricultural earners among all earners averaged 21.4 percent in the CEMA countries.

A number of factors significantly influence the ratio of earners in agriculture--for example, the composition of agricultural activity, the productivity of the several activities and the extent to which agricultural organizations conduct non-agricultural activities (industrial or construction activities, for example). Agricultural employment was of greater magnitude than in our homeland in Bulgaria (35.7 percent), Romania (49 percent) and Poland (32 percent); it was somewhat below the Hungarian level in the Soviet Union (18.1 percent) and substantially smaller in Czechoslovakia (11.4 percent) and the GDR (10.2 percent).

In 1978 the ratio of agricultural earners among all earners was an average 9.2 percent in the developed capitalist countries. This ratio was 7.7 percent in Denmark, 9.5 percent in France, 12.5 percent in Italy, 10.1 percent in Austria and only 4.6 percent in the FRG.

Our agriculture achieved favorable results in the past decade in grape and fruit production also. Our achievements in apple production are outstanding among the European countries. Here are two data for comparison: Average per capita apple production by the CEMA countries in 1979 was 26 kilograms, that of the developed capitalist countries was only 20 kilograms--but that of Hungary was 90 kilograms in 1979.

A significant part of our agricultural production is exported. In the course of the 1970's foreign trade in agricultural and food industry products provided 22-24 percent of total export. This ratio is substantially greater than the average ratio for the CEMA countries and the developed capitalist countries. The participation of agriculture in foreign trade is greater than this in Europe only in Denmark (32-36 percent) and Holland (23-28 percent).

The outstanding cooperation of the large socialist operations and the household plot and auxiliary farms contributed to this significant achievement by our agriculture, but the significant industrialization, mechanization and chemicalization of agriculture contributed to it also. This is rather expensive, and thus the contribution

of agriculture to the production of national income does not show such a favorable picture, in an international comparison, as we have established in regard to gross production and yields.

The multilateral and bilateral international comparisons suggest that in the past decade our homeland has preserved its place in the middle range of the European countries. In a few respects we have come closer to the first rank (for example, in regard to the production of our agriculture, the level of the per capita gross domestic product and the per capita magnitude of a few important consumption indexes). Our backwardness increased in regard to the productivity of industry and one of the most important factors therein, the technological level. We have significant reserves in the various phases of the innovation process. With a swifter practical utilization of the achievements of scientific research and development, better coordinated investments, coordinated development of products and manufacture and, last but not least, with more rational management of machines, materials, energy and physical and intellectual manpower we can guarantee an increase in our competitiveness and that, in the decade ahead, we will not only keep up with the European middle range but get farther ahead within it.

#### FOOTNOTES

1. The gross domestic product (GDP) contains the value of the national income and the net (material-free) value of the performance of the non-material branches as well as the value decrease in the entire economy. The volume of the latter two elements can change more quickly or more slowly than the national income and this can result in a development of the index for the GDP which differs from the index for national income.
2. Economic Bulletin for Europe, The Journal of the United Nations Economic Commission for Europe, Trends in East-West Industrial Co-operation, Vol 33, No 1, March 1981, Pergamon Press.
3. Organization for Economic Co-operation and Development, East-West Technology Transfer, Flows of Technology and Technology-related Products in East-West Trade, Paris, 4 Dec 79.
4. K. Pavitt: Technical Innovation and Industrial Development, Futures 11, 6 Dec 79, and 12, 1 Feb 80.

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## FOREIGN TRADE REGULATION IN 1982 VIEWED

Budapest FIGYELO in Hungarian No 50, 16 Dec 81 p 11

[Article: "Foreign Trade Regulation in 1982"]

[Text] The main goal and task of our economic construction in 1982, as it has been for years now, will be to improve the foreign trade equilibrium. To this end, we must significantly expand exports, above all the volume of profitable exports along with a 1 to 2 percent reduction in domestic consumption; and we must do so to such an extent that the growth rate of exports will considerably exceed the imports.

The pace of most economic processes in a given year is determined largely by the prevailing regulators. The foreign and domestic economic environment affects foreign trade activity, foreign market sales and purchases, and finally the development and situation of the foreign trade equilibrium. The foreign environment can be approximated and predicted to the extent that it will improve moderately, primarily from the aspect of nonruble account export.

## Lower Commission Rates

On the other hand, changes in the domestic environment affecting foreign trade activity and the regulator modifications which determine the managing conditions of the economy and enterprises are already well known. Basically, they may be characterized by saying that efficiency requirements have been intensified by a greater stringency in many elements of regulation, and the goal of the modifications--the restraining of domestic consumption and increased incentive and compulsion for greater achievements--seeks to promote the improvement of the equilibrium situation.

Stricter enterprise management and revenue regulation are also evident in the more narrowly defined elements of foreign trade. To strengthen standardization and normative regulation, the extent of the differential producer sales-tax reimbursement was reduced in many trade sub-branches on 1 October--in the clothing industry by 3 percent, and in the food sector by a proportional 2 and 2 percent.

As in the case of the producer enterprises, enterprise revenue regulation was also tightened for the foreign trade sub-branch. The essence of the changes as introduced was that the schedule of commission rates were reduced where the

profits exceeded the target. The foreign trade enterprises may only pass on actual costs to their domestic partners, and therefore they may form only as much profit as the commission schedule of rates includes and recognizes.

The goal of the modifications is twofold: to moderate, as in other branches of the economy, enterprise profits, or to link increases to efficiency requirements. To be sure, the modification of price and revenue regulation in the foreign trade sub-branch does not affect sharing in price profits, the main channel of profit formation. Modification of revenue regulation in part and wage regulation in part--a smaller extent of the central guaranteed wage development--reduces on one hand the volume incentive of the foreign trade enterprises and can be expected to strengthen pricing and profit incentive deriving therefrom.

Experience in recent years shows that price formation which adjusts to foreign trade prices is a particularly active export and import element, but the effect is not always positive. It could already be felt in 1980 that producer enterprises which employ competitive price formation did not only discontinue the export of unprofitable products. They also selected out products which were, to be sure, economic but from the viewpoint of domestic price formation would cause the deterioration of standard indexes, and whether they wanted to or not they were making place for the products of other enterprises and sub-branches that were inferior from the viewpoint of export efficiency. The well-known Order No 13 was issued to moderate its negative effects.

#### Increase of Profitable Exports

Within the framework of the 1982 regulations, AH [Price Office] Order 24/1981 will take effect on 1 January. It cannot be left unnoted that the justified and necessary correction of profit-forming positions by the producer enterprises consists of price and cost increases of several tens of billions in forints, and this influences the economy and profitability of enterprise exports, and the cost increases which appear in a differentiated manner can hardly be realized in the foreign market prices. Otherwise, the export incentive of enterprises and certain sub-branches was differentiated by recent changes in capitalist foreign currencies and the devaluation of West European capitalist foreign currencies representing a significant share of the free currency in trade. (The weekly exchange rate quotations of the Hungarian National Bank, which are now regarded as literally flexible, quickly followed these changes.)

In the sense of the above-mentioned AH Order No 24/81, enterprises which have profitable nonruble account exports are not required, to reduce the price level of products marketed domestically in the event of a decline in the profitability or the price level of export, but rather increase the forint value of their ruble account export by at least 4 to 8 percent. (The percentage extent of the increase is differentiated by the nonruble account export ratio. The lower extent of export growth applies, for example, to those enterprises whose nonruble account export exceeds 25 percent of domestic sales.) The new order also assures similar price formation possibilities, exemption from the rules for the increase of profitable export, situated within the scale of normative regulation--exchange rate plus differential producer sales tax reimbursement. In this range of profitable exports, however, the degree of growth necessary for taking advantage of the exemption is higher: 10 to 14 percent. At the same time, such enterprises may raise

their domestic prices--besides the fact that in the case of a decline in export for enterprise profitability they are not required to reduce the price level of products for domestic marketing or to apply the formula for following the export price level--but only to the extent that at an annual level the profit content and percentage will not exceed the profits attained in nonruble account export.

In the sense of a further modification, income deriving from exchange rate insurance--which up to now could only be taken into account in export profitability--can be calculated only in figuring the price limit. Promotion of profitable export is also intended by the order in that if the export ratio of nonruble account export reaches 5 percent, the enterprises may decide in the given year whether they form their prices as a following or leading enterprise.

From the viewpoint of nonruble account export, how can the above-mentioned modifications of the application of price formation to foreign trade price be judged? Essentially, we are saying that the modifications have further reduced the legal and price rule limits in the case of all those enterprises for which nonruble export is growing more efficiently and dynamically than average. In this way, the export volume and foreign exchange receipts in the profitable export range can be increased.

From the viewpoint of producer enterprises in the sphere of price formation adjusting to foreign trade prices, it is worthwhile to emphasize that the modifications provide them with an area of mobility, and they can weigh how an increase in the volume of profitable export--accompanied by a decline in the enterprise export profitability--may influence constant and changing costs, the utilization of existing capacities, the guarding of market positions and so forth.

#### Possibility--Not a Guarantee

Modifications which extend possibilities for profitable industrial export are also linked closely and advantageously to 1982 tasks. Industry for the most part marketed its 1981 increments domestically, but in 1982--because of the more stringent regulation and limitation of domestic purchasing power--the increase in foreign market nonruble account sales, namely exports, is the main channel of expanding production.

But here, too, we are speaking only of possibilities and not of guarantees. The subsidies offered in this year's price office directive were not used by many of the enterprises which are exporting profitably. Undoubtedly, the directive which takes effect 1 January has substantially more exemptions and is broader in scope. On the other hand, the greater stringency of the regulatory system and the more difficult conditions of enterprise revenue formation strengthen the incentives with economic pressures. All this can help the increased use of possibilities offered by the modifications and an increase in profitable export.

The modifications affecting foreign trade regulation extend also to ruble account trade. The exchange rate of the transferable ruble declined by 1 forint as of 1 November [1981], but with the beginning of the new year the regulatory system of ruble account export will be supplemented in such sense and with such goals as will result in strengthening the incentive of enterprises that are exporting with adequate efficiency, and this will also stimulate, among other things with price work, an improvement in the export economy.

# NYERS DISCUSSES ECONOMICS, ROLE OF INTELLECTUAL WORK

Budapest MUSZAKI ELET in Hungarian No 24, 27 Nov 81 pp 1, 3

[Speech by Rezso Nyers, adviser to the Economics Institute of the Hungarian Academy of Sciences, at a conference in Pecs on the efficiency of intellectual work, no date: "The Role of Intellectual Work in the Development of Our Economy"]

[Text] The conditions for the operation and development of the economy changed with dramatic suddenness and thoroughness in the mid-1970's. It required several years before we were able to find the path leading out of the mist, and we have been following this course since 1979. We now have a fixed point in our economic policy--and this is no small thing--but the shift to a new growth track for the economy will also continue in the first half of the Sixth Five-Year Plan.

The consolidation of our foreign trade situation is still proceeding; we have done a great deal for the renovation of our inventory of means, although not enough. The new sources of economic efficiency are in part undiscovered and in part trickling modestly and intermittently. We must do more for the present and the future. This situation particularly justifies turning our attention to a better discovery of intellectual resources; to put it in another way, the subject of our conference is very timely indeed.

When material possibilities in economic management are limited, a greater importance is always given to the human factor as the final resource by which the economic units and collectives can stand on their own feet. Precisely this kind of situation has been developing in our country. An outside observer, without knowing anything about our situation but the frequent emphasis on the human factor, could certainly conclude that the material conditions in our country are not very rosy. The Marxist theory of economics has always emphasized the decisive role of the human factor, but even the light of such great truths shines the best in the darkness of a difficult situation. As a matter of fact, this kind of trend can be seen not only in Hungary but everywhere in the world. It is not accidental that last year's World Congress of Economists dealt with the use of human resources as its main theme.

## Diligence Is Not Enough

We do not regard intellectual work as work that in and for itself can alone be the source of success but as one of the factors of increasing importance in the whole

of economic activity. It is often said these days that the intensity of work and of work discipline must be improved and likewise that diligence, a sense of calling and its sense of preciseness, and trade skill are important expressions of human behavior and in many areas factors in the improvement of work that cannot be neglected. But if it is true--and it is--that changing circumstances are creating new conditions, we cannot break from the tightening ring of difficulties simply by having everyone work more diligently, but rather we must acquire something characteristically greater: new knowledge in technical and economic fields, new methods that will solve the dilemma of the "how," new kinds of human relations that will break from formulistic routines. We may perhaps call this some kind of new "intellectual investment" in the economy that will intensify the efficiency of intellectual work and thereby lead to greater value for the usefulness of total social work.

The problem of intellectual work also emerges both broadly and narrowly from the viewpoint of the development of a socialist society, that is, broadly as the intellectual foundation and value of the work of every worker and narrowly as the efficiency of workers in intellectual spheres of work. In both interpretations, we regard the subject matter as important, not only because there are limits in job areas, but chiefly because in technical development the intellectual content of skilled workers particularly is increased. If this process were to come to a standstill even temporarily, it would restrain the rate of development. It is the role of trade instruction and training to see that increasing importance is given now and in the future to the type of worker and employee who undertakes a new line of work, who adapts to new methods and who in fact takes initiatives. All in all, intellectual force must characteristically become a material force in the hands of the worker and therefore the workers' role is indispensable in technical development. At the same time, intellectual work has its own characteristic problems, which are receiving ample attention at the present conference and rightfully so because the narrow interpretation of the subject is also justified and of primary importance.

The problem of intellectual work cannot be identified, to be sure, with the problem of the intelligentsia, but still they are very closely intertwined. If we develop a point of view, as a rule we regard it in both cases as our own and justly so, because it can hardly be disputed that the intelligentsia hold a central place among intellectual workers.

#### Role of the Intelligentsia

In the Leninist world of thought, our party ascribes great significance to the intelligentsia in the building of socialism. Authentic Marxism always emphasizes the leading role of the working class, but it never conceives this as the superiority of the workers over the intelligentsia; rather it sees a federation of equals realized in the spirit of socialist principles. However, errors formerly appeared in political practice; today we also may have to reckon with certain recurrent errors, mistaken views that we cannot accept.

From time to time in our society, the idea crops up--chiefly as a domestic reflection of foreign bourgeois theories--that the intelligentsia may fulfill the elite role in the cooperation of the classes and comparatively the physical

workers may have a secondary role. We disapprove of these and similar views, because the democratic ideal of service stemming from higher training would be exchanged for a hierarchical order of command above the people. On the other hand, from time to time the contrary view appears in the workers' movement; namely, a trend at underestimating the intelligentsia, somewhat similar to what existed at the time of the so-called "proletarian cult" trend in cultural life, and extending it as a general principle to the economy and politics. We reject this also because no matter how ideological and militant it may appear, it would in fact alienate the working class from the intelligentsia, and this would make the former unsuitable for a well-conceived leadership role.

The cooperation of the working class and the intelligentsia is one of the expanding resources of the 25-year-old MSZMP policy; today political harmony is much greater than a quarter century ago. Of course, this federation cannot be established once and forever but belongs in the category of ongoing social resources. We may regard the constant renovation of the federation as one task of the many macropolitical matters to be settled, while in local economic life we can expand and strengthen this cooperation in many places during the development, production and marketing processes. We ought to seek everywhere the development of this concrete cooperation in an existing, or nonexistent but possible, framework.

In the so-called intellectual work areas of our society, the present intellectual capacity may be described as important. In 1980, 330,000 persons worked at technical jobs, 377,000 at economic and administrative jobs, 332,000 at cultural and health jobs and 361,000 at accounting and office management jobs. Workers in intellectual jobs amounted to 1.4 million workers, or about 28 percent of all workers.

### The Freeing of Capital Means

Over the medium and long term it is necessary and possible to increase intellectual capacity but not with an extensive type of amplification because we have largely exhausted the possibilities of this; we can only speak of a small-scale and gradual increase in its present share. The share of the intellectual work areas in the national income has already been shaped in order of magnitude; the material resources together with the national income can be increased by and large proportionally to the end of this decade. Thus, the expansion of possibilities can be created with the increase of national income, although under the given conditions this is a very difficult task.

Of the national income in 1980, teaching amounted to 4.4 percent; research-development, 2.3 percent; public education, 1.2 percent. If we add investments, which represent 20 percent, actual mass resources (eszköztömeg) representing annually 29 percent of the national income are available for the workers in intellectual areas. Of course, most of these resources are already committed and there is no free disposition; but it is exactly the aim of efficiency to free more of these resources for present goals. Unfortunately, this is such a difficult task that despite the correctness of the central orders it cannot be easily solved; in every work area it is very difficult to arrive at a good solution. But still, this is at least one, and the very most important, of the tools available to increase the efficiency of intellectual work. This can free a certain

percentage of the committed resources; this is the essence of the intensive method.

How shall we measure the efficiency of intellectual work? Since efficiency always means the relationship of outlay and results, the results as well as the outlays must be expressed in comparable values for the purpose of a reliable measurement. In every work area we must seek the possibility of an actual measurement; whether individual or collective, achievement--if we are not speaking of expressly theoretical basic research--must always be brought into relation with the total results of the enterprise or some smaller economic unit. Of course, as a driving force in intellectual achievement we must assign an important role to moral and material recognition for the individual; in this area we have much to improve.

### Unavoidable Conflicts

In creative intellectual work, whether we are speaking of innovation, invention, technological development or organizational solutions, an important role is played in the measure of success, beyond material matters, by the moral motivation, the excitement of a new recognition, the dispelling of the initial lack of comprehension and of indifference, the overcoming of the obstacles to realization, and the constant race with time. Fortunately the attainment of the goal, the paths to the realization of an intellectual idea are not always uneven; favorable conditions also exist when a smoother road leads to the goal. But the individual as well as the collective must struggle for what is new and better now and in the future. The existing methods, relations and institutions are not only embodiments of inadequacies but for the most part are carriers of realized values; in this sense an innovation destroys an existing value in exchange for a future and greater value. The obsolescence of the old is a gradual day-to-day process in many areas of economic life, sometimes visibly and perceptibly in the eyes of many, but often slowly and unperceived and in such cases perceptible only to those with sharper vision and better powers of observation. We cannot avoid the conflicts that arise from this; everyone with new knowledge must fight these to the end.

More efficient intellectual work can generally result from an effort from two directions: from the struggle of the creative intellectuals for the new and from the activities of economic-political institutions in support of the new. The bi-directional approach must meet at three critical points:

1. A respectable portion of the intellectual efforts must directly help in the solution of the greatest economic-social tasks that are now timely.
2. The intellectual efforts should be adjustable to the management limits of the state and enterprise sphere, from a material point of view they should not exceed the limits of what can be realized. The social gain should be realizable.
3. It should be possible to gain for intellectual ideas the support of a considerable part of the working people either in their role as producers or as consumers.

Given such social conditions, we have a great interest in seeing greater initiative in broad areas of intellectual work for the sake of technical, management and administrative rationalization and innovation. Under such conditions public opinion can act as more than a passive observer and actively support positive solutions to the tensions caused by the innovations.

#### World Economic Relations

The tremendous importance of foreign economic relations in the development of our economy is already broadly recognized in our intellectual life. There is no significant base of support in our country for the idea of production or technical-scientific self-sufficiency, fortunately. But are the expansion and deepening of our world economic relations adequately based in intellectual activity? We cannot characterize the actual situation with a summary judgment because we have manufacturing branches and enterprises where the foreign relations rest on a strong and broad intellectual basis and we have some where the bases are weaker and more narrow. Perhaps it is not an exaggeration to say that intellectual efforts like these are being intensified now and above all are becoming more practical. But also domestic intellectual work is not adequate and the outlays are not effective enough for the expansion of our foreign economic relations and the difficulties and tensions latent in them. Thus, at every level of intellectual activity we must seek possibilities for better use of foreign trade and international technical-scientific cooperation.

#### Deteriorating Terms of Trade

Our production as well as our export structure is changing in a favorable direction, but still too slowly; at the same time rapid, sometimes explosive, changes are occurring on foreign markets. Of the 20 percent loss in terms of trade deterioration we suffered on the capitalist world market beginning in 1974 we have until now been able to regain only 4 percent by improving profitability and our product structure. Because of the delayed application of world market prices on the socialist international market, our terms of trade are continuing to deteriorate, and we must balance out a greater portion of the deterioration through additional commodity deliveries. Therefore, we must increase export efficiency more strongly.

An interesting difference can be observed in the judgment of the enterprise product structure between official enterprise views and the personal, nonofficial views of enterprise specialists. In the enterprise view, about 50 percent of industrial products are internationally competitive, 25 percent can be made competitive through certain development and 25 percent have no prospects of becoming competitive. A representative survey of personal views shows a less favorable picture, the technical lag is judged greater and the necessary tasks are indicated as more urgent. Where does the truth lie? Is it possible that in their personal views people are less responsible and thoughtful? There may be some truth in this. Is it also possible that in a collective and official setting, we regard an optimistic evaluation as nearly obligatory? It is to be feared that there is even more truth in this case. In any event, in their technical and economic complexity a judgment on international competitiveness will require further intensive work.

## Inward Turning? Outward Turning?

In establishing the intellectual bases for international work distribution and the auxiliary services, we must bear in mind, on one hand, the particular importance and characteristic role of our socialist ties and on the other hand the fact that we are developing long-range cooperation with the nonsocialist world as well and are striving for permanent work distribution. We must in no way regard the two relations as alternatives because they are not, either in actuality or in national economic dimensions. We are now following, and shall continue to, the principle that whatever we can solve through socialist cooperation at a good international level, we shall unconditionally do in this way. Therefore, with many specific products, where there is actually a possible alternative, we shall give the preference to the socialist solution. But in a broad range of products and technologies there is no socialist alternative--nor can we expect one--to capitalist or developing world markets; that is, we have to hold our place simultaneously on two markets. It is on this basis that we must develop our intellectual activity.

From the viewpoint of the Hungarian economy, the characteristic feature of the socialist realization is that our imports have a trade-determining role, the "bottleneck" upon which our exports may expand. We must, therefore, devote special attention to researching import possibilities where we may be helped by the still slowly expanding relations among the enterprises of the CEMA countries. Capitalist relations have the reverse dependence because export possibility forms the "bottleneck," and we may expand this with greater difficulty. The volume of earned foreign exchange limits the increase of imports. Therefore, we must pay special attention to export.

## Exhausted Sources

To intensify intellectual efforts, it is necessary to manage more rationally the operating capital of society in the interest of improving so-called capital efficiency. This task includes investment economy, improvement of implementation, economic use of capacities, market realization, a good rate of fixed and working capital conversion, in sum, a favorable ratio between national income and invested means. This is important because the sources we used in the past quarter century for the capital efficiency of the economy--rapid economic growth and a rather modest capital intensiveness for the infrastructure--do not exist any longer. We already recognized earlier the waste of live work, and we changed over to increased productivity, although there is still much to develop in this area. The waste of embodied labor was also a well-known fact long ago; still it is only now coming into the forefront of common attention. The central restraints on investments are a temporary matter of compulsion which we must carry out, but the true and permanent solution is latent in the improvement of capital efficiency. The improvement requires great intellectual efforts in the development of central economic management, and no less in the enterprise sphere.

## Small and Medium-Size Enterprises

The improvement of capital efficiency on a national economic scale justifies, to a significant extent, an increase in the ratio of small and medium-size undertakings

in many areas of industry and services. This "retro-correction" process, as it may be called, is justified by the fact that the large enterprises are economically unable to satisfy a certain part of the consumer market demands or the rapidly increasing demands of producer consumption in spare parts, equipment and small assembly parts. If we do not want to combine our large enterprises so that in addition to the modern large plants many small "third-rate shops" are also maintained, we have no other possibility than to develop a broader network of small and medium-size enterprises. There is nothing more uneconomical in the world than to conduct small plant activity in an organization designed for a big plant; yet we need a multitude of such relatively small-scale activities. In regard to this subject, we must not permit some people with a tendency toward simplification to present the matter as though the dilemma of a "large plant or small plant orientation" is cropping up in the economy. In large part we are dealing with this matter only in words; deeds are still lagging. It is worthy of support from intellectual life, not finding fault.

A solution to world economic adjustment and to the problems of strained efficiency necessitates that we continue to develop the economic mechanism in all its parts; that is to say, the central and enterprise methods of planning, the central and enterprise order of price and financial regulation and the central and enterprise arrangement of the economic organizational system. If we do all these things thoroughly and in due time, we can accomplish what is very desirable with the use of so-called evolution. The theoretical basis of development for our party can be represented by the congressional position that we must strengthen in a parallel way the efficiency of central management and increase the independence of local organs and their eigen activity.

#### Planning and Market

What is the desired, main line of direction? Regarding every present problem, we can conclude that we must continue to develop the entrepreneurial role and activity of our socialist enterprises in such a way that they will not operate under the cover of the state treasury--at least not to the extent as now--but should do more from their own resources for technical, economic and market competitiveness. The attainment of such a situation will require two changes: a further tightening of the central efficiency requirements simultaneous with a gradual solution to the financial and commercial limits that inhibit undertakings. The raising of efficiency requirements means a broader use of competitive prices, a narrower use of production prices and a further rationalization of credit conditions. The easing of limits, on the other hand, means for the enterprises a greater degree of freedom in capital use, manpower management and market purchases and sales. Essentially it means following a direction by which both component parts of our plan management model would develop; planning would have a greater effect on the macro-economy and the role of the market would expand in the microeconomy sphere.

In the large majority of our enterprises the internal management, regulation and organization system did not develop according to requirements. Decisions within enterprises "slide up" to higher levels to an excessive degree; in addition, decisions are slow in coming and frequently do not rest on an adequate information base, the technical or market information is not precise or the savings calculations are superficial. In general, enterprise administration is a slowly developing area. Work productivity here is particularly low, the state of organization

is not adequate and therefore it is a gold mine that can be rapidly exploited by expert organization. Still rationalization is for the most part greatly limited and suited only in a restricted way for measuring achievements. Of course, there may not even be an enterprise where, in fact, all these shortcomings exist simultaneously, but it is more than enough if some of them exist anywhere at all, because that will not put a brake on achievements. One of the most important areas for making intellectual work more efficient may be the critical analysis, enterprise by enterprise, of the internal mechanism and the solution of its development. Although criticism in this area is broad and strong at the general level, concrete ideas for rationalization are few.

#### Permanent Solution

The efficiency of intellectual work and its growth depend to a large extent on the existence and development of democracy in economic and social life. In the economy, of course, there are always many singular matters that can best be rationally dealt with, carried out and controlled by personal decision. In such cases, it is not only unnecessary but harmful "to play democracy." But in wider collective frameworks and in problems of great impact, we can reach a truly permanent solution by using the democratic method; in such cases rationalism and democracy can be realized in a characteristic symbiosis.

In our days, the development of socialist democracy includes two parallel lines of action: the development of institutions and the decision system, along with the increase and broadening of democratic attitudes. From shops to the National Assembly, the two can develop only together and reciprocally. The role of intellectual workers is important in both.

In economic life, the problem of democracy emerges both in a broad and narrow way. In the broad sense, this is the participation of workers in decisions. In addition to this entitlement to decision rights, the further improvement and deepening of information are also necessary--in fact the simultaneous expression of information in two concept systems: in accordance with the more summary thinking order of everyday life but with nuances meeting the demands of experts; the information must flow more profoundly and exactly in the economy and outside the economy.

In the narrow sense, the problem arises in matters like the cooperation of the workers in leadership and specialist functions, and joint responsibility for the preparation of decisions. We may call this the characteristic democracy of the leadership level; this development is not easy but necessary.

The efficiency of economic democracy, interpreted either in the broad or narrow sense, depends greatly on the thinking and action harmony of the intellectuals as technicians and economists. The interdependence of the two subclasses is obvious; it is the same as the wagon that we desire to haul on the road to development. But unfortunately, in actual life the danger exists of narrow vision and interpretation, and thus the same matter may appear to be two different things.

The close relationship of technicians and economists and the restraining of a narrow outlook for technicians and economists are indispensable for our economic development. Economic-political thinking is the great ordering force that can integrate into one the attitudinal differences that necessarily exist. Our intellectual efforts, therefore, must be strengthened in economic political thinking.

FALUVEGI ANALYZES ECONOMIC SITUATION, PROSPECTS

Budapest NEPSZABADSAG in Hungarian 29 Nov 81 p 3

[Excerpt from speech by Lajos Faluvegi at the 7th general meeting of the Hungarian Economic Society: "Growth and balance"]

[Text] A decline in the rate of economic growth and a lack of balance are general phenomena in the world economy. The causes are not the same in socialist countries, economically developed capitalist countries, and in the developing world; nevertheless, behind the phenomena there is a common background of basic world-economic changes tugging and which began in the 1970s that have already become epoch-making.

Stricter External Conditions

Although growth rate in socialist countries--with the exception of one or two--has not declined as much as in the capitalist countries, the long period of rapid economic growth exhausted its resources in this region as well; and this led to a state of development in which the so-called "extensive" resources have had to be replaced by other driving forces. The common prime mover of development in the socialist countries is cooperation within CEMA. The incontestable results that have resulted from this are, however, accompanied today by problems of changing direction in growth.

One of the central difficulties of recent years has been the supply of energy. In regard to CEMA as a whole, this does not arise from a scarcity of natural resources but from various interests that affect world-market price relationships and, further, from the fact that production has become more capital-intensive while consumption is still very wasteful. Even before the specific energy use far exceeded the corresponding indicators of other developed industrial countries, however, in the new situation the rate of energy-saving structural changes has lagged behind the rate experienced in capitalist economies.

The second critical point is food production. The tensions in the food marketplace can be explained mainly by the fact that agricultural production is growing only slowly. Income in relation to expenditures is increasing very slowly, and certainty about [the amount of] production is variable. The tensions that appear in supply are to a large degree a burden on the foreign-exchange balances of individual socialist countries. The Hungarian economy is an exception to

this, and interest has been increasing as to its experiences. This situation represents for us significant strategic reserves, valuable to increase production and to improve the balance.

A common concern is the increasing deficit in the convertible trade and payment balances and the fact that most of the energy-importing countries would like to postpone debt payment with credits as a result of the losses due to the deterioration of the terms of trade. The efforts made toward improving the convertible balances and the increase in demand for the most modern technology have tightened the conditions for trade among socialist countries. More than in previous years, we must now balance most accounts on a yearly basis and, in mutual deliveries, we must more and more relate the so-called "hard items" to one another. Because of the weakness of market relationships and means and the limited role of monetary and credit relations, it is difficult to develop diversified, flexible, and dynamic cooperative production based on mutual advantage.

On the basis of our political commitment and economic interest, we affirm that economic cooperation among socialist countries will remain the basic pillar, the indispensable condition, and the driving force of our economic growth.

We can respond to the new conditions that are crystallizing in the socialist markets if an increasing share of our exports consists of the more modern products which can command a good price; in this way we can mitigate the deterioration of our terms of trade, and economic cooperation can become a more definite factor for growth in our development.

The attempts of the capitalist countries to adapt have been instructive for us--even if indirectly, by transplantation. One new development has been the working out of longer range concepts and programs directed at switching structural policies. By means of measures known as "positive structural adaptation", they desire to accommodate themselves as soon as possible to the more expensive energy and raw materials, to the competition of newly industrialized developing countries, and to the changed conditions imposed by stricter environmental protection requirements. Most of them, however, do not extend a life-preserver to branches of industry in crisis, as happened during the period after the explosion of oil prices, but they do help competitive undertakings.

We must see clearly that the slowing down of growth in the capitalist economy--both at the time of earlier crises and now--is accompanied by profound technical and structural changes. This transformation or adaptation can bring advantages to the enterprises that remain competitive, but it also brings about serious unemployment. We cannot follow that pattern, we cannot accelerate our pace of accommodation of our economy at that price. It is our responsibility and duty to preserve our social achievements. Still, perhaps just for this reason, we must face up to the challenge which the industrial and organizational renewal of the capitalist economy represents; we must eliminate the danger of lagging behind by putting into operation the new driving forces that are appropriate to our social goals and social structure.

Amidst the continuing capitalist decline, there is for us a significant resource for growth in expanding our economic connections with the developing world. In

these countries, one of the key problems of social and economic development is that industrialization is taking place principally through imported technology brought by the multinational industrial giants, within a framework appropriate to the interests of the incoming foreign capital. This technology is capital-intensive, but it does not expand the number of new work places sufficiently.

At the same time, our midlevel technology can represent just the right "pulling power" in many branches of industry, not to mention accumulated experience in the life-and-death matters of improving food production and water management. Cooperation with developing countries can give a strong impetus to expanding our convertible exports, provided that we try to learn about and acquire these markets with appropriate zeal--much more than at present.

### The Difficulties of Realization

An old Transylvanian proverb expresses our situation vividly: "We are between the anvil and the hammer." Of course, during this process good material is being transformed, its structure changed, becoming harder and at the same time more flexible, and thus more valuable. I am convinced that, whatever the external environment, in the end every economy depends on its own internal strength of whether it is capable of achieving the best possible result in a given situation.

Among the countries with moderately developed economies in the 1970s, we were one of the highest in the group. Rapid economic growth was naturally not a goal, but a means: a means of rising from a backward condition, first of all to raise the standard of living and to improve [the quality of] human life. In the past three decades, the annual consumption of the population rose at an average annual rate of 4.4 percent. The standard of living we have achieved is in harmony with the general level of development of the economy. Our country has an industry appropriate in size to our economic development but it is too structurally fragmented; in regard to its technical level it is moderately developed. Our agriculture is capable of supplying domestic food and continual exports as well. The internal proportions of the total economy, however, are not sufficiently harmonious, and efficiency is improving slowly.

One of the most important factors in the rapid economic growth of the past three decades was, finally, the fact that we have participated to a higher and higher degree in the international division of labor. Our foreign trade turnover grew by an average of 9 percent a year, much faster than production.

So it is not by chance that, in the 1970s, following the world-economic price explosion, the problems of balance were concentrated and most acute precisely in our foreign-trade relations. From 1973 to 1978, our foreign debts jumped up, and this became a burning concern for our economy. As a result of the 1979 modifications in the course of growth and the efforts made since then, the trend of over-indebtedness has been slowed down greatly, although the situation of our foreign trade balance is still tense [precarious] and this places great burdens on us.

I think that these are the most important inherited credit and debit items with which the Hungarian economy has arrived at the threshold of the 1980s.

## The Basic Goals of Economic Policy

What kind of goals and tasks could we set for ourselves as we worked out the Sixth Five-Year Plan? The targets of the plan are well known. But I think it important to emphasize the three basic goals of economic policy, because they are like connecting gears in the guidelines for economic policy of the 12th congress.

The first one, which in the given situation we had to establish as the focal point of our work and to temporarily raise it above all other economic goals, is that we must improve and solidify the foreign trade balance. Many people did not at first understand giving this first priority. But events on the international scene since then have given it some justification. We, of course, considered not making use of foreign resources for our economic development. But the introduction of foreign resources does have one directly tangible limit: Indebtedness must not reach the point where it would shake the confidence of our commercial and financial partners, which would endanger our position in the international financial world, which we have achieved and maintained throughout the difficulties of past years. By keeping ourselves always at a safe distance from this boundary, we can regard our balance situation as solid.

Improvement of external balance at the end of the 1970s required that we restrict domestic consumption severely. We had to swallow this bitter medicine to be sure, and we may still have a few spoonfuls left to go! For this reason, we could not make raising the standard of living a goal of the 5-year plan.

The second basic goal of economic policy in our plan is to preserve the standard of living that has been achieved--and this is a more difficult task under present conditions than was the 20 to 25 percent per 5-year period increase in consumption had been formerly. In harmony with this goal, we can and must create a balance between supply and demand in the consumer market, while expanding the supply of goods; on the other hand, we must improve living circumstances with those means that do not require an increase in material consumption. At the same time, of course, also we have had to temporarily and radically restrain the growth of investment. The fact that we are limiting domestic consumption cannot be a lasting, long-range means of solidifying the foreign trade balance, but it is a condition for that.

We must look for the solution on the other side, in the fact that we are transforming the structure of production, we are increasing the production of modern, exportable, economic goods. We cannot allow ourselves the luxury of increasing or even maintaining production of obsolete, expensive goods that can only be sold at a loss. As an average between booming expansion and painful, but inevitable, cutbacks, we obtain a relatively slow rate of growth.

There is a frequent misunderstanding that a slow rate of economic growth is the goal of our economic policy because this helps to create balance. This is an error; we have not committed ourselves to stagnation. Slow growth does not in itself guarantee balance and neither does rapid growth necessarily upset a state of balance. Slowing down growth is not a goal, and it is not even a means for reestablishing the balance, but it is a result. It results from changes that

have taken place in external and internal conditions and from the fact that we have to accelerate our accommodation to the structural changes that are taking place in the world economy. The faster and better we are able to do this, the faster we will be able to grow.

It is the goal of our economic policy--and this is precisely the third basic goal that I wanted to emphasize--to create and maintain, along with and in spite of the slower tempo, a common feeling of healthy growth in every area of the economy, in every enterprise and collective that stands in the spotlight, as well as in every hidden corner where there is a readiness for innovation, ideas, creative force, and courage for initiative to operate differently, more modernly.

For this we must conduct a policy of selective production and development, we must help see to it that regulations give advantages to enterprises that are growing rapidly, and we must become accustomed ourselves to the fact that both in the economy and in personal incomes differentiation will become stronger.

The presentation of the Sixth Five-Year Plan began with this sentence: "The Hungarian economy in the 1980s will have to wrestle with tasks that it has not met before in the course of its development." I think this observation is more true now than a year-and-a-half ago. For this reason, there has never been so great a need for us to give our own answers to the questions that life is posing here and now.

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# AGRICULTURAL PROSPECTS, FUTURE POLICY SET FORTH

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[Article by Jozsef Szabo, member of the MSZMP CC and rector of the MSZMP Political College, and Laszlo Bethlendi, CSc, docent of the MSZMP Political college: "Agriculture and the Food Industry in Their New Stage of Development"]

[Text] Hungarian public opinion appreciates the process of development that has taken place in agriculture and the food industry during the past 25 years. However, the development in agriculture is not solely a result of the "peasantry's" work. Industrial workers, researchers, engineers, domestic and foreign traders also participate in supplying agriculture with means of production, and in the production and distribution of foodstuffs. The social recognition that accompanies their work simultaneously compels them to assume greater responsibility and to work even harder. On the other hand, our entire nation enjoys the advantages of the achieved results, say, of the basically high level of food supply.

Our agricultural development is not free of contradictions, and the results are accompanied by problems as well. For example, the net results of food production, the indicators of profitability, have increased at a substantially slower rate than gross food production; or development of the organizational framework of production often has not been accompanied by adequate operation within the system, by perfection of the systems of direction, management and stimulation. The requirement of further progress demands that we analyze and generalize the experience to date in conjunction with the development of our agriculture and food industry, that we outline a system of objectives and conditions, as well as a strategy, suitable for the 1980s. Practice itself demands policy guidance. For, during the past 15 years, practice led the development and modernization of production. Our achieved results can be credited primarily to the workers of the state farms and agricultural cooperatives, and to the territorial administrative organs in direct contact with them. At the same time, theoretical generalization guarantees the consolidation of the results and identification of the pitfalls, and this is also the basis for the spreading of good practices and the exchange of experience.

## Quantitative Growth, Competitiveness on Foreign Markets

The production results unambiguously confirm the success of our agricultural development during the past quarter century, of the MSZMP's agricultural policy. In 1959-1961, the years of agriculture's socialist reorganization, the dual task (of increasing the output parallel with the reorganization) was fulfilled: the farm

output increased over the preceding three years. On average for the past two decades, agriculture's growth rate was 3 percent a year, outstanding even by international comparison. The development of agriculture and the food industry permitted an improvement of the population's food supply, a quantitative increase in food consumption, and a significant improvement of the qualitative composition of food consumption. Parallel with a significant rise of the level of domestic supply, the export volume of foodstuffs increased sixfold from 1960 to 1980.

We have achieved our present results--a relatively high level of food supply, a significant volume of agricultural export, and average yields outstanding even by international comparison--through a quantitative expansion of production. One of the most important characteristics of the development of our agriculture and food industry has been primary emphasis on a quantitative increase of production. In the 1960s, and even in the early 1970s, we had to cope with the quantitative problems of production. The primary objective, under the conditions of shortages, was to ensure as soon as possible from domestic production the population's supply with all produce that can be grown domestically. And parallel with this, to obtain from agriculture and the food industry as much additional export as possible, particularly in dollar-denominated export.

As a result of their self-development and significant quantitative growth, agriculture and the food industry have reached a new stage of development. The production conditions for supplying the population's food demand have been developed in agriculture and the food industry, and most food products are supplied to a saturated domestic market. Therefore the growth of food production is determined primarily by the possibilities of marketing food products on foreign markets. Food supply nearly commensurate with the demand, and the dependence of food production's growth primarily on sales to foreign markets occurred at a time when the economy's external and domestic conditions also have changed, and a changeover to intensive development has become the main effort in our entire economy. Also as a result of the changes in world-economic and national-economic conditions, competition is intensifying among the individual sectors, activities and enterprises. The increasing requirements can be met only through better work, by improving quality and efficiency. In this new situation the importance of food production's efficiency and of its ability to compete on foreign markets has increased.

Socialist large-scale farming has already found the key to relatively dependable and balanced production in terms of quantity, but it is still only half-way in its pursuit of production efficiency. The efficiency of farm production has improved in some partial areas, but has worsened in others. In some areas we approximate the world lead also in terms of efficiency, but in other respects we lag even behind the world average. The dynamic growth of farm production has been accompanied by different directions and rates of change in the productive factors' efficiency.

The volume of farm output per hectare of farmland is 80 percent higher in 1980 than 20 years earlier. This in itself indicates a significant improvement in the utilization of farmland, which is due to the dynamic growth of average yields, and to intensive changes in the production structure. The fundamental issue in agriculture is the better utilization of the soil as an irreplaceable but renewable resource. On this is based also the utilization of the other productive factors. Here the resources must be employed in combination with the better utilization of soil fertility.

The productivity of live labor has risen very sharply in agriculture. Prior to the socialist reorganization of agriculture, a farm worker produced enough food for five to six persons, but today he produces enough for 20 persons (considering the manpower in basic farm production). Labor productivity has risen even faster on large-scale farms, as well as in the production of field crops and in poultry production. Better vocational training has been an important factor in the improvement of efficiency and the rise of the productivity of live labor. More than 80 percent of the blue-collar workers are skilled or semiskilled workers, the number of engineers exceeds 25,000, and there are over 30,000 secondary-school graduates.

The development of production in the two decades following the socialist reorganization of agriculture produced higher efficiency only in relation to the soil and the manpower. The efficiency of fixed capital worsened, the embodied labor was used with diminishing efficiency. The worsening of the efficiency of fixed capital on large-scale farms was very substantial, at both current and unchanged prices, and in terms of both the gross and net output. The rising capital intensity of production increased agriculture's replacement fund and substantially reduced the national-income content of a unit of farm output.

In the final outcome the worsening capital efficiency and rising capital intensity arrested the growth of national income produced in agriculture. The development of national income produced in agriculture lagged considerably behind the growth of agriculture's social product. The worsening trend of fixed capital's efficiency slowed down in the 1970s. In agriculture as a whole, the value of the social product per unit of capital increased 8 percent during the past decade. And under the Fifth Five-Year Plan, the value of farm output and enterprise profit per unit of fixed capital increased also in large-scale farming, on the state and cooperative farms. But the data at unchanged prices continue to show merely a slowdown of the worsening capital efficiency.

Besides the worsening capital efficiency, another factor of the slower growth of agriculture's national income than of its social product was fact that the number of persons gainfully employed in agriculture dropped by 865,000 between 1960 and 1980, and the total acreage of farmland shrank by 500,000 hectares. Thus a proportion of the dynamically growing stock of fixed capital served to replace the decline in capacities, the dropout of acreage and manpower. Only the remainder of the new fixed capital could serve as a source of farm production's growth.

The efficiency of our farm production, and the level of farming on which it is based, can be termed better-than-average by international comparison. Admittedly, we were not always able to utilize the advantages that stemmed from this rating, due to the protectionistic and discriminatory trade policies of the capitalist countries.

An internal contradiction of our food production is that the export efficiency of our field crops is close to the world level, but the export efficiency of a significant circle of our livestock products is unfavorable. Within the prevailing overall picture, the efficiency of export varies considerably by specialized branches, sectors, products and agricultural enterprises. Even within livestock production, for example, there is a significant circle of products whose export efficiency is favorable. Modern livestock-production plants have failed, or are not producing efficiently enough, primarily where we failed to ensure the

necessary conditions, or where we did not ensure them adequately. Because of changing market conditions, the efficiency of export varies from year to year. During the past two years, the circle of food products with a favorable export efficiency expanded solely as a result of changes in the conditions on foreign markets.

The efficiency of farm production and the ability of food products to compete on foreign markets have been and are influenced by numerous factors. However, the lack of circumspection in management and in the organization of labor can hamper development even in the stage when modernization is improving efficiency. On the other hand, we can moderate the unfavorable effects of growth that necessarily reduces efficiency, by employing more circumspectly the production-organization procedures and methods, by adjusting to the conditions more flexibly, and by mobilizing the reserves inherent in the forms of the organization of farming. We cannot say by any means that the development of agriculture and the food industry has been free of problems in this respect. Already at the start of this process, for example, our agricultural enterprises should have devoted more attention to the questions of increasing average yields economically, to the reduction of specific material consumption and of losses in general (feed, manufactured fertilizer, plant protectants), and to how the volume of value added was developing. In other instances a one-sided technical approach dominated development, while considerations of economic efficiency, the internal laws of farm production, and the traditional opportunities were disregarded.

By sensibly allocating and using inputs within the enterprise, by adjusting the input level to the conditions of the farm, by thoroughly investigating the factors that influence higher yields, by increasing the average yields economically, by improving the efficient utilization of farm equipment, and by perfecting the organization of farming and work, it is possible to influence favorably the change of efficiency. Parallel with employing industry-type methods and equipment, the efficiency of enterprise activity can be improved also by utilizing traditional equipment, opportunities and methods, provided this alleviates the stresses in farming, instead of intensifying them.

The production structure must be geared to the conditions of the enterprise. Unutilized opportunities exist also here. Resources can be used more effectively by operating more flexibly the production capacities that can be managed more freely, and by reacting faster to changes in market demand. Efficiency can be increased also by properly applying the basic principles of concentration and specialization within the enterprise, and by utilizing the advantages of diversification.

Sound enterprise management necessitates reinforcement of the economic approach to counterbalance the technical approach that today is still rather one-sided. When preparing and making decisions, greater weight must be attached to economic criteria.

Perfection of the enterprises' internal system of management and control in accordance with the requirements, a more effective chain of command, modernization of the enterprise's internal system of self-interest and incentives, application of more intrusive forms of remuneration, and establishment of a closer link among performances, final product and wages--all these can be significant factors in forming efficiency and in increasing food production's ability to compete on foreign markets.

## Role of Agriculture and the Food Industry Within the Economy

The role that a branch of the economy plays in economic growth is determined primarily by the extent to which the given branch contributes toward ensuring the economy's uninterrupted supply, maintaining the standard of living and improving economic equilibrium, and how the given branch utilizes the economy's resources and opportunities. From this point of view, in the final outcome, the individual branches and sectors of production, professions and activities, economic units and products compete for development resources that, at the level of the economy, are limited.

As a result of our socioeconomic development, industry is the principal base of our economy and plays a fundamental, decisive role in economic development. From this fundamental and decisive role it follows that industry is responsible for ensuring the supply of industrial capital goods, equipment, materials and parts. It cannot be agriculture's task to do so. At the same time, however, industry--Already coping with marketing problems in several respects--has not exploited adequately agriculture as its sphere of interest and market (let us cite merely the problem of supplying spare parts, which has remained unsolved for decades).

The following table illustrates the place and role of agriculture:

Place of Agriculture and the Food Industry Within the Economy

	Agriculture & food industry's share of national aggregates, at current prices, in percent	
	1970	1979
Gross domestic product (value added)	21.8	18.3
Dollar-denominated export	33.2	29.4
Ruble-denominated export	17.3	14.0
Total export	22.8	21.9
Population's consumption at 1976 prices	50.7	44.7
Value of productive fixed capital	13.2	14.6
Percent of persons gainfully employed	27.6	23.5

Source: Data of the National Planning Office's Agriculture and Food Industry Section.

The national economic role and significance of agriculture and the food industry can be summed up as follows:

- a. By producing foodstuffs, agriculture aids the reproduction and expanded reproduction of manpower. Because of its role in the population's consumption and supply, the output of agriculture and the food industry is an important factor of domestic political stability. We expect a moderate rise in food consumption in the coming years. Quality, however, must be further improved, the assortment must be broadened, and--in cooperation with trade--the supply of merchandise must be spread more evenly over space and time. Our production conditions, and the level of agriculture and the food industry enable us to base predominantly on domestic production the population's food supply and the satisfaction of the population's rising requirements in terms of quality and assortment.

- b. The net export of agriculture and the food industry helps to finance the economy's import demand and to improve the balance of trade. The active role of food production in earning foreign exchange can be demonstrated not only if we take the net balance of direct export and import in the branch, but also if we take into account the indirect import and the value of the imports of food that cannot be produced domestically. Of the total export of agriculture and the food industry, 50 percent is directed to socialist countries, and the other 50 percent to the developed capitalist countries and developing countries. The Soviet market absorbs 28 to 30 percent of our food export, and the Soviet Union will be the single largest customer for our food products also in the long run. The proportion of food products within our total export is relatively high in our export to the countries of the European Common Market (35 percent) and to the non-European developed capitalist countries (29 percent).
- c. As a producer of raw materials, agriculture supplies industry in addition to supplying itself; respectively food production is a large consumer of industrial capital goods and materials, i.e., it is industry's market. As a supplier branch, agriculture supplies primarily the food industry and light industry. And the supplementary activity of the agricultural cooperatives and state farms, besides satisfying the population's needs, contributes toward resolving the shortages and stresses in basic industry. Agriculture and the food industry are using industrial goods and materials on an increasing scale. Within the input structure of agriculture there has been a significant shift in favor of the proportion of embodied labor, at the expense of live labor. And within the use of embodied labor, there has been a substantial rise in the use of industrial capital goods and materials. In terms of cost, 70 percent of the materials used in industry are of industrial origin. The quality and productivity of labor in industry significantly influence also directly the profitability of farm production. Domestic industry is able to supply only partially food production's demand for industrial capital goods. Under the Fifth Five-Year Plan, for example, domestic production supplied 42.5 percent of agriculture's machinery procurement, while 41.4 percent was imported from other socialist countries, and 16.1 percent from capitalist countries.
- d. Soil is agriculture's primary production factor and the greatest natural resource of our country. It accounts for a substantial proportion of our national wealth and is a resource that ensures the production of raw materials and basic materials. The development of food production results in the better utilization of our natural resources and favorable natural conditions. The per capita farm acreage is 0.66 hectare, and in this respect we are in the lead in Europe. Nearly 75 percent of the country's area is suitable for farming, and this indicator is favorable even in a broader international comparison. The proportion of plowland is 55 percent, and in this respect we share third place in the world with Sierra Leone (likewise 55 percent), after Bangladesh (62 percent) and Denmark (61 percent). Our other natural conditions of farming can be termed generally favorable. In terms of so-called relative climatic productivity, for example, among the CECA countries we rank second, after Bulgaria.
- e. Agriculture and the food industry employ 23.5 percent of all wage earners, providing a secure livelihood for them. Earlier, by releasing significant manpower, agriculture contributed toward supplying the manpower needs of the dynamic growth of industry and services. At the present stage of development,

however, the ability of agriculture, and of the village in general, to retain the rural population is increasing.

This increasing ability of agriculture and of the village to retain the rural population is of great social significance. In many sociopolitical respects it is beneficial that we are curbing, by natural and sensible means, unwarranted migration from the villages, or are encouraging restoration of a sound ratio.

Farm production provides employment and income to a wide circle of persons not of work age, and also part-time employment and seasonal employment.

- f. The role that the principal branches of the economy play in our lives is characterized also by value indicators, usually by the shares of their contribution to the social product and national income. Agriculture and the food industry produce 26 percent of the social product, and more than 20 percent of national income. The significance of food production's 20-percent share in generating national income becomes more apparent if we take into account the close relationship that can be demonstrated between aggregate national income and national income produced in agriculture.

In Hungary, similarly as in other countries undergoing industrialization, gross industrial production and industry's contribution to national income rose rapidly; the output of agriculture and the food industry rose at a more moderate rate, while their contribution to national income declined. Agriculture accounted for 48 percent of national income in 1950, but only for 16.6 percent in 1980. The food industry's share is 3.5 percent. This change in proportion is a result of industry's substantially faster growth in comparison with agriculture, and of the significant decline of agricultural employment. But it is also linked to the worsening efficiency with which agriculture uses embodied labor, and to the peculiarities of our price system.

The price system significantly influences the share of the contribution to the social product and particularly to national income. Based on the price system now in force, the share of food production's reported contribution to national income is smaller than what it would be computed, for example, on the basis of so-called shadow prices or prices of the world-market type. The reason for this is that pricing in industry and agriculture is not uniform. The net-income content of prices is high in industry, but low in food production. It is essential, however, that income parity can be maintained despite the price disparity. This is achieved by subsidizing food production because of the lower price level, and by taxing food production less heavily than industry.

The state must subsidize the output of agriculture and the food industry specifically because the developed level of consumer prices for food does not permit consistent application of cost-commensurate pricing to food production. And also because pricing in agriculture is linked to the costs of farming land of average fertility, and therefore the costs of farming land of inferior quality are not recovered. The system of state subsidies for agriculture is not individual and ad hoc, rather it is of a normative nature. Thus it functions in the same way as the price system and is an integral part of regulating farm production, of the system of self-financing for state farms and agricultural cooperatives.

## Constancy and Change in Agricultural Policy

An important element in formulating the entire policy of the MSZMP, including its economic policy, is the realization that a principled and consistent solution of the problems of agriculture is of primary importance in developing food production, strengthening the worker-peasant alliance, and in maintaining and reinforcing socio-economic stability. The MSZMP has devoted due attention to agriculture. Agricultural policy has been and will remain an important part of MSZMP policy.

Simultaneous consideration of our domestic conditions and of the general laws of building socialism is characteristic of the formulation and development of our agricultural policy. In 1957, the MSZMP critically evaluated the lessons of earlier agricultural development. The party developed its agricultural policy in struggle on two fronts, combating both the right-wing and pseudo-left-wing views (for example, private farming on small farms must be stabilized and the reorganization of agriculture postponed; by reducing its standard of living, the peasantry must be persuaded to accept collectivization, etc.). Agricultural policy was developed further by consistently applying Lenin's principles, adjusting to the specific socioeconomic conditions and taking into account the experience of the fraternal socialist countries.

The MSZMP's agricultural policy is permeated by the process of continuity and renewal, the life-blood of our party's entire policy. The first and perhaps most significant stage in the renewal of our agricultural policy was the development of a theory and practice that substantiated agriculture's socialist reorganization and successfully carried it out.

The next significant step in perfecting and enriching the MSZMP's agricultural policy was development of enterprise management for the socialist large-scale farms (higher state-purchasing prices, abolition of machine-tractor stations, the spreading and general introduction of cash payments, formation of a wage fund and depreciation fund, perfection of the system of economic management, and expansion of enterprise independence).

Broader organization of the concentration and specialization of farm production, of cooperation between farms and of their integration, and the expansion of the scope of enterprise and farm activity were likewise an important step in the development of agricultural policy.

A feature of outstanding significance in shaping and perfecting agricultural policy was the treatment of household plots and small-scale farming within the entire output of agriculture and the food industry, the consolidation of farming on household plots and complementary farms, and their integration into the socialist large-scale farms. Many important aspects that today are associated with farming on household plots and with small-scale farming will be retained as essential by our agricultural policy also in the long run (commodity production, utilization of the work of family members and part-time workers, integral connection with large-scale farming, income-supplementing role, etc.).

In accordance with the constant and the changing elements of our socioeconomic conditions, also in our agricultural policy there are permanent characteristics as well as changes and shifts in emphasis. In this way, policy is always able to concentrate on the most important tasks. Emphasis was on different elements, e.g., at

the time of agriculture's socialist reorganization or of the large-scale farms' consolidation, and again on different elements in the 1970s, by when the conditions for the dynamic growth of production were already formed. Lenin's principles of gradualism and voluntary participation, and the nature and methods of state aid applied with different content before, during and after the socialist reorganization of agriculture.

The stricter conditions of intensive development, foreign economic changes and economic growth are setting greater tasks also for food production. Agriculture and the food industry in the 1980s are developing along the proven path, adjusting to the new and changing conditions. The current tasks of our agricultural policy are outlined in the October 1977, March 1978 and December 1978 resolutions of the MSZMP Central Committee, and in the resolutions of the 12th MSZMP Congress. The October 1977 and December 1978 resolutions of the Central Committee set for the economy, including agriculture, the tasks that stem from the stage of intensive development and from the external economic changes. The resolution of March 1978 formulates the main emphasis in agricultural policy for the 1980s: "On the basis of socialist large-scale farming, we must solve the coordinated, intensive and efficient development of entire food production."<sup>1</sup> This policy has been confirmed by the 12th party congress: "Hungary's natural conditions warrant and permit the preferential development of agriculture. The increased output of agriculture and the food industry must ensure balanced domestic supply and the expansion of economic export. Greater efficiency, better quality, higher yields, lower costs, and a better utilization of the natural conditions are the principal tasks in both crop production and livestock production."<sup>2</sup>

Whether we analyze our agricultural development and agricultural policy during the past quarter century or look into the future, we come to the conclusion that the agricultural policy of the MSZMP has been and will be successful, decisive and consistent. The validity and significance of this conclusion are not undermined by the fact that faster and more even progress has been hampered by occasional uncertainties regarding agricultural policy, and sometimes by objective difficulties and mistakes in approach, management, and implementation.

The great socioeconomic significance of the socialist development of the conditions in agriculture and food production is indisputable also in the long run. Under the Sixth Five-Year Plan we are continuing our proven agricultural policy and cooperative policy. The principal task is to consolidate the results already achieved and to boost them further in accordance with the requirements of the external economic factors whose role has increased. The farm output will increase at an average annual growth rate of 2.7 percent, within which the growth rate of crop production will be 3.3 percent and of livestock production 1.9 percent. The food industry's output must increase at an annual rate of 3.1 percent. The development of food production also must be solved with somewhat smaller volume of investment resources than under the preceding five-year plan.

Fulfillment will require intensified effort and well-organized work. The stepped-up nature of the plan stems from the changes in our external and domestic economic conditions; partially from the modification of the international economic environment, and partially from our domestic stage of development. The curtailment of investment opportunities due to the requirements of equilibrium, and the setting of stricter criteria for the operation of enterprises and cooperatives are

unavoidable. Not even food production can be exempt from these constraints. So far as planned growth is concerned, agriculture as a branch belongs among those areas, branches, sectors and activities of our economy that will develop at a similar rate as before. Within food production itself--whether we consider individual sectors and specializations or individual enterprises and cooperatives--there are areas that will grow at above-average rates, but there may be stagnation in some areas, and occasionally even a decline.

Our agricultural development in the 1980s will again not be free of stresses. The specific contradictions that accompany development stem partially from the constriction of our investment resources, and partially from the fact that the five-year and long-range conditions of equilibrium do not overlap entirely. What are the most significant conflicts in the growth of agriculture and the food industry in the 1980s?

One such conflict is the anticipated increase in the differentiation of production by enterprises. The large-scale farms operating under less favorable conditions and with lower efficiency will be able to offset more slowly and with greater difficulty the burdens of stricter conditions of economic activity and growing price disparity. Differentiation on the basis of efficiency has been and will remain one of the driving forces of development. The efficient farms will remain the pioneers in development and in improving the efficiency and qualitative aspects of production. If we are to adhere consistently to the principles of our economic policy, then also in the future we must not hamper the differentiation of production, because that would slow down the improvement of efficiency. However, differentiation must not become a source of political and social tension. We expect the dynamic growth of production and the improvement of efficiency primarily from the efficient farms. To achieve our production goals we of course still need to farm the acreages whose conditions of farming are less favorable, to utilize the potential of the cooperative farms whose level of farming is low, and to aid such farms. The main problem is that profit as the own sources of financing development--under the given economic conditions and levels of farming--cannot be generated in about one-third of the agricultural cooperatives.

The relative weight of the agricultural cooperatives whose level of farming is low is evident from the fact that nearly 400 agricultural cooperatives belong in this group. They farm 1.5 million hectares, provide gainful employment for 145,000 persons, manage 40 billion forints of fixed capital and produce 20 percent of the cooperative sector's output. The low level of farming can be attributed to poor soil at 120 to 130 of the cooperatives, and to recurring flood damage and drainage problems at 90 to 100 of the cooperatives. The decisive factors underlying the low level of farming at the rest of the cooperatives are unsuitable production structure, inadequate fixed capital, and weak management.

Even under the stricter economic conditions it is necessary to seek the solutions that can aid the inefficient agricultural cooperatives in stabilizing their enterprise management and in uncovering their existing reserves. Such solutions can be, for example: adjustment of the production structure to the natural conditions; development of supplementary activity; expansion of the acreage of labor-intensive crops or, conversely, the shedding of manpower; more extensive use of traditional production techniques, organizational solutions and incentive forms; upgrading the level of management and organization, and an increase of the number of

specialists; expansion and strengthening of cooperation between efficient large-scale farms and inefficient ones; various cooperations and associations with capital-rich enterprises; homework for other agricultural or industrial enterprises, etc. Naturally, it is expedient to seek modes of development that conform to the conditions of the agricultural enterprises in question, bearing in mind that the prerequisites for a real improvement of profitability can and must be created within the enterprise.

State measures also will continue to aid the consolidation and development of weak agricultural cooperatives. The expansion of soil-improvement investments will increase the efficiency of production and narrow the circle of agricultural cooperatives whose natural conditions are unfavorable. Differentiated state aid and price subsidies will likewise help the large-scale farms whose natural conditions are unfavorable. Each year the operation of about 20 to 25 agricultural cooperatives farming under unfavorable natural conditions may be reviewed centrally, and they may be reorganized.

During the five-year period there will be also in food production enterprises and cooperatives whose extensive, rather than intensive, development will be expedient; they will not grow but will stagnate temporarily.

A problem in technical development is that domestic industry, particularly the engineering industry, still does not take adequately into consideration the needs of food production. Another problem is that a proportion of the equipment needed for higher average yields in agriculture and for the food industry's modernization can not be procured even through import from other socialist countries. The supply of spare parts for machinery still remains unsolved. The situation in the supply of capital equipment is unfavorable particularly in terms of quality, of an assortment necessary for technological variation, and of the requirements of saving energy. To attain comparative advantages, however, we need machinery, technological systems and parts supply that match those of our competitors. Restrictions on the importation of equipment and technologies that can be imported from developed countries will undermine in the long run the ability of our food production to compete on foreign markets, because it hampers the attainment of a competitive technological level.

There is a contradiction between the production of agricultural raw materials and storage capacity. There is a shortage of capacity for refrigerated storage, of granary capacity, and of warehouse capacity in general, including the food industry's warehouses. This results in losses, in the spoilage of the produced raw materials, and we have considerable storage problems in the case of bumper crops. We are unable to pursue suitable business policies. We sell not when the efficiency of export is the most advantageous from our point of view, but when we produce the food products. Without stocks and storage capacity, we are closely affected by market fluctuations, and our ability to maneuver is limited. New storage facilities should be sited in a way such that a sound ratio will develop between central storage capacity and farm storage capacity. More dispersed siting of storage capacity is warranted by the utilization of local, low-cost, in-house possibilities, and by transportation costs as well.

Likewise noteworthy are the role and importance of the bulk-purchasing, produce-supplying and trade branches. Here, unfortunately, much produce goes to waste or

deteriorates for reasons that are well known, and this disturbs the desirable relationships of self-interest.

### Principles of Agriculture's Enterprise System

In terms of average farm size, Hungary's agriculture ranks second in the world. The accelerating process of centralization paved the way for the development of the productive forces and for the application of modern production techniques and methods; it also stimulated concentration and specialization within farms. Larger enterprises are a great advantage of socialist agriculture, but the advantages inherent in the existing framework are by no means fully utilized.

Today the productive forces and production techniques of the enterprises still fall short of the requirements in terms of quantity and quality, and the level of organizing their use and the degree of capacity utilization are still unacceptable. On a significant proportion of the farms this hampers effective enterprise growth. Large-scale production techniques have not even developed in some branches of farming. For example, we cannot speak of reliable large-scale technologies for vegetable production or cattle breeding. By now it has also been demonstrated that where the conditions for traditional technology exist and such technology is more profitable than industry-type technology, there the former should be used, instead of seeking what organizational changes or linkage to the existing organization could enable the enterprise to employ industry-type technology.

The results of our agricultural enterprises are significant even by international comparison. But it is also true that on the whole, in terms of the level of agricultural development, our place among the countries of Europe with developed agriculture has not changed significantly. This again calls attention to still unutilized reserves in socialist large-scale farming, in the state farms and agricultural co-operatives.

In the late 1970s, restriction of the efforts to merge became warranted. Intensive centralization led to excessive simplification of the production structure, to unwarranted replacements of existing capacities, to the faster curtailment of traditional production techniques and methods than was desirable. This increased the demand for investment resources and capital goods. There was growing thirst for technologies far exceeding what the national economy could afford, and modernization of the enterprises' internal organization lagged behind their increased size. The excessive consolidation and merging of farms can be attributed basically to two causes. One was gigantomania, its accompanying--but often only presumed--growth of prestige, respectively the one-sided aspect of managability. The other was an exaggerated effort to reduce the number of unprofitable farms, through mergers and consolidations. A contributing factor to the excessive centralization efforts was that the larger (merged) agricultural cooperatives were better able to obtain investment resources, and often the local party and government organs, and in some places even the regional associations, encouraged mergers. Analyses showed that mergers could and did produce only partial results in terms of accelerating growth and raising efficiency. Also for this reason it is warranted to give preference to methods other than mergers when attempting to solve the problems of farms that operate at a loss and are less able to develop. A further increase in the average size of the large-scale farms would weaken, rather than strengthen, the ability of the rural districts and villages to retain their populations. Unsound mergers hamper the development of democracy in the

community, on the farms and in the cooperatives, curb individual initiative, and as a result also the willingness to assume responsibility may decline.

The system of enterprises in our agriculture is based, firmly and in the long run, on state farms and agricultural cooperatives. Agriculture can be developed and modernized successfully within the existing system of state farms and agricultural cooperatives. If we do not proceed in this manner, then we may be expounding the development of efficiency in theory, but in practice the growth of production will cost both the economy and the agricultural enterprises more. In the course of agriculture's development, division of labor will broaden within enterprises and between large-scale farms, and through the development of independent enterprise management there will arise secondary enterprise and inter-enterprise organizations. Care must be taken to ensure that the formation of such organizations must not become autotelic and intermittent. The sole criterion of warranted organizational development is that the new production form ensures more efficient production.

Contractual relations effectively serve to broaden division of labor between agricultural enterprises, to strengthen cooperation, and to achieve better coordination. Cooperation between agricultural enterprises, between agricultural and industrial enterprises, and between agricultural or trade enterprises and small-scale farmers, based on the system of contractual relations, will remain important forms of cooperation also in the distant future.

Economic associations (co-production and production-integration arrangements) by large-scale farms have become extensive and widespread. Associations have contributed to the development of farm production. Every state farm and 65 percent of the agricultural cooperatives belong to two or more associations, and only 5 percent of the large-scale farms are not members of an association. With the participation of large-scale farms, 765 economic associations are functioning at present. More than 75 percent of the economic associations in Hungary were formed in agriculture. Retention of the diversity and profusion of forms remains an important requirement for organizing associations. The founding of associations must enhance economical growth of production and must influence favorably development of the founding enterprises. A further requirement is that we give utmost consideration to enterprise independence, voluntary participation, economic advantages and material self-interest when founding associations. It is important that we approach flexibly the problem of forming and dissolving associations.

Making the work of the existing associations more effective and adjusting it to the stepped-up requirements should be perceived, correctly, as the most important task at present. In perfecting the associations, it is warranted to devote special attention to organizing economic associations of strong and weak agricultural cooperatives. Through the accumulated brainpower, material resources, and production and organizational experience of the efficiently farming agricultural cooperatives, such associations can help the weak agricultural cooperatives better utilize their possibilities and form the material foundation of their economic independence. A further task is to better coordinate the work of enterprises that produce capital goods, of the ones that process and market farm products, and of the consumer and industrial cooperatives on the one hand, and of the state farms and agricultural cooperatives on the other, as well as to strengthen their co-production and production-integration relations.

The production system is a specific Hungarian form of expanding co-production and production-integration relations among agricultural enterprises. It is a developed large-scale production process and method that is spread, applied and perfected by cooperating enterprises. The production system's substantive side is as industry-type, large-scale technology that is characterized by the synchronized development of the physical, chemical, biological, technical and human factors. The production system's organizational aspect is cooperation among enterprises, within the framework of which they realize the industry-type technology.

In the course of cooperation there develops a division of labor between the system center and the cooperating enterprises. The system center elaborates, develops and adapts at the member enterprises the industry-type, large-scale technology and provides various services for its realization. The task of the member enterprises is activity that conforms to the requirements of the industry-type technology. The leading production systems (IKR [Industry-Type Corn Production System], KITE [Corn and Industrial Crop Growing Cooperation]) are developing their activity also vertically. But it is likewise evident that not every system is fulfilling its role suitably. Some systems are unable to offer much new and sufficient substantive growth, performing only a supply function.

On an experimental basis, there now are four agricultural-industrial associations in Hungary. Sufficient unambiguous experience is lacking to draw conclusions that could be generalized. Their operation should be investigated further, and proposals should be elaborated to aid them in fulfilling their tasks. In our opinion, organization of additional agricultural-industrial associations would not be warranted in the next few years.

There are efforts to organize economic associations on the territorial principle, on an area basis. Thus the establishment of agricultural associations, district cooperations and small-area integrations is being urged. Cooperation between neighboring large-scale farms is justified where this can enhance the better utilization of natural conditions and capacities, the processing of agricultural products with a minimum of transportation, and the organization of various services, provided this offers both partners substantial economic advantages. This type of economic cooperation, too, should not be confined within mandated limits. But there is great danger that the underlying reasons for establishing this type of economic cooperation are not economic advantages, rather considerations of public administration, supervision and management. To confine the organization of associations within public-administration and territorial boundaries would narrow the scope, reduce flexibility and limit entrepreneurship. Support of this cause under such circumstances would trigger another unsubstantiated drive, diverting attention from the principal task which is nothing other than the mobilization of the enterprises' internal reserves and the improvement of efficiency, within every unit of agriculture's enterprise structure.

As Janos Kadar pointed out already at the Third Congress of Agricultural Cooperatives, "Strengthening the agricultural cooperatives' socialist nature is a manifold task that must find expression not only in the growing proportion of cooperative-owned land, but also in their increasingly enterprise-like operation; in closer conformity to the plan; in a higher level of work organization; in more complete cooperative democracy and control; in the consistent application of the socialist principles of distribution; and in the cooperative membership's socialist awareness

as well. Each of these traits is important; no one may choose and pick in the assertion of these elements; none may be developed at the expense of the others."<sup>1</sup>

The principal task in the coming years is to exploit as fully as possible the possibilities inherent in the present organizational structure. It is also true that this stage of developing the organizational structure is less spectacular. It is easier to make organizational changes than to make the enterprises conform more closely to the plan, to uncover the causes of inefficient farming, to realistically assess the conditions and possibilities, to upgrade management and organization, to provide material self-interest, to reinforce the principle of remuneration commensurate with the work performed, to strengthen enterprise-like operation, to improve the utilization of productive factors, to develop farm and cooperative democracy, and to form an owner's attitude to socialist property. Only in this way can we achieve qualitative development, intensive economic growth, significant improvement of efficiency, and real substantive progress. In this way we can preserve agriculture's flexible, initiative, large-scale enterprise system.

#### FOOTNOTES

1. "A mezogazdaság és az élelmiszeripar helyzete, továbbfejlesztésének feladatai. Az MSZMP KP 1978 március 15-ülesének dokumentumai" (The Situation of Agriculture and the Food Industry, and the Tasks of Their Further Development. Documents of the MSZMP Central Committee's 15 March 1978 Session), Kossuth Publishing House, 1978, p. 50.
2. "A Magyar Szocialista Munkaspárt XII kongresszusának jegyzőkönyve" (Minutes of the 12th MSZMP Congress), Kossuth Publishing House, 1980, p. 476.
3. János Kádár: "Our Socialist Peasantry Is Marching Steadily Along the Path to Socialism," NEPSZARADSAG, 15 Dec 76.

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## HUNGARY

### PROGRAM FOR MORE ENTREPRENEURSHIP EXPLAINED TO UNION MEMBERS

Budapest NEPSZAVA in Hungarian 17 Dec 81 p 3

[Article by Janos Siklos: "Not by Bread Alone"]

[Text] The workers in large factories and trade union members organized in groups under stewards are affected by various opposing influences. Memories of an earlier time live on in the older generations when, for example, the private sector was not such an encouraged auxiliary economic form. Money-making areas were limited by business opportunities, and the promotion of public prosperity--social work, support of the weaker and declining, and so forth--was an important factor in the criteria of social awareness. These conceptual questions do not play as great a role among the younger generations.

In past decades it was unimaginable for any skilled worker in a group under a trade union steward to work under a handicraft service license. Now this ambition can be imagined, is not condemned and is even to be supported.

This is an unusual change and cannot be taken reluctantly and squeamishly, because we cannot do without its beneficial effect in improving our economy. Some resistance to this unusual situation can be perceived in the older members of the steward groups. "Isn't the country turning capitalistic?" they ask each other and the steward. Of course it is not becoming capitalistic any more than household plots, and without these plots and without the "individual initiative" of the peasantry, the Christmas tables of the nation would probably be leaner.

Why then, at the same time, should we deprive ourselves of industrial and supply possibilities if they are needed to promote higher standards in society and better supply, and if they are enterprising and are backed by legal opportunity? Individual initiative in agriculture and industry is possible only on the basis of socialist economy, and only on this basis is value-forming productivity possible. It is a factor protecting and raising

the standard of living, because it produces social value by using surplus manpower and working time.

#### What About Public Morale?

Does it improve or impair our socialist public morale? This question is also put forth, and an answer is expected from the steward. This question is seen in a different light if we are really rejecting the idea of equality as a drawback to production and the creation of value. If someone works more and his extra work is needed, better material possibilities are also achieved at the place of work as a result of his other activity. By themselves better material possibilities do not have a negative effect on public morale. I might add that laws and statutes regulate the extent of material improvement. Of course it is probable that the value of money and respect for it, as well as the constant "struggle" for it, will increase, but this is not contrary to our ethical principles. Socialism does not standardize society and the living conditions of the populace in any way.

These concerns do not involve the steward from the viewpoint of individual initiative. The condition of cohesive power, which is one of the indicators of the human quality of a community, is more important to him. This is the concept of "one for all and all for one." This means that the ethics of interdependence, the state of responsibility accepted for society and concern for one another are measures of willingness to help. Do the jungle and excesses of individual drive prevail and do the spirit and practice of "everyone for himself" oppress the community, or are we respectful of one another and sensitive to the joys and worries of human comrades?

The changing circumstances are sweeping a great deal of dead weight off of us, and this is a cleansing process in which values appear more flexible in the economy, society and the steward group. The ethical norms which have developed a pedestal of humanity and of respect in our concepts and attitudes, and which encourage public service, will not change today nor in the future. For instance, individuals can prosper according to their abilities and opportunities, and consequently not in the same way: better or not so well, but only for the benefit of the entire society. Many people may have doubts about this and superficial appearances can be deceptive, but there is one deeply essential reality: the worldly goods and better livelihood of an individual can only be guaranteed by increasing the goods of society, because a declining society and a thriving individual cannot really exist permanently! What happens to such an individual's prosperity when he finds stores and markets afflicted by overall shortages? The entire system of changes, society with its own incentives and the individual, contribute to a common prosperity.

## Human Dignity

The social works (taken on voluntarily) which have promoted so much in our country and its inhabitants, will never break "out of the mold" today or in the future. And just as up to now tens of thousands have joined in renewing our cities and in helping to build schools and kindergartens, so in the future will tens of thousands perform such labor, not for money, but impelled by their ethical attitudes, and this will not be disrupted by an expansion of individual initiative.

But there will be no lack of attention to one another. The brigade and the working team have so far stood beside the man who has gotten into trouble or is squeezed for help, because they have not been able to passively look on the agony of one of their own. This conduct will not change. The feeling of interdependence and of objective necessity will not deteriorate unless some polarization occurs in material respects. The brigade and the trade union groups are not a community of disinterested spectators, but relate to one another! Different opportunities for earning a livelihood will not destroy the human feeling of community and responsibility, but quite the contrary will make them more deliberate.

In reality individual prosperity is not selfishness and does not carry man in the direction of seclusion, but makes the road toward one another smoother. It arouses good and beautiful traits, because we do not live by bread alone, and feelings attuned to human closeness operate within us. Among other things the trade union group helps to preserve, strengthen and develop these traits. Man is afraid of desolation and solitude, and instinctively seeks comrades, the community in which he can relax and feel more complete.

The community-creating power of the trade unions is immeasurably great. Here the central factor is the steward who personally knows the members of his group, their material and family situations, their plans and problems, their virtues and their weaknesses. Without such knowledge he would not be a steward. Often unobserved, and even unconsciously, he goes on building the community in which he works.

We know of amazingly fine cases coming from the community: permanent reception of orphans, support for the families of comrades who have had misfortunes, lengthy material aid for fellow-workers, surreptitious support for years for pensioners, and adoption of children. The manifestation of these noble qualities of man is extensive, and usually the initiator has been the steward. He does not want the public to know, and often we can only come across the track of his activities by cross-questioning.

Is this concept of community and this public morale exposed to danger? I do not believe so. The millions employed in socialist industry and

agriculture are not only creating possibilities for developing a more objective system of values in the wake of these changes, but are also the bearers of purified ethical norms. After all, if they were not determinants of human, respectful values of mankind, with respect to our ethical norms, we would be entering the era of the jungle, where everyone would feel bad, even with his material goods.

What does the trade union movement have to do with this? And where does the steward, busy protecting traditional interests and representing interests, fit in? Not only in capitalist relationships, but also in socialist relationships perhaps the greatest thing is its position and the role accepted in society. It is the structure which reacts most sensitively, because it is concerned with the lives, fate and working conditions of its members because of their occupations, and inevitably arises from the way people think and from the creation of a community expressing interrelationships which develop during the production processes. Since their establishment the trade unions have been the promoters and advertisers of the idea of humanity. The socialist order has created favorable circumstances with its practical implementation of humanitarian ideas and with its social policy.

In our country the trade unions need not be concerned with the questions of capitalist exploitation and dehumanization, but rather under our circumstances with necessary community norms which provide man with greater understanding and more humanity, and which the state alone is incapable of handling with its own instruments. However, neither now nor in the future can society do without the social "self-help", the material interests of which are raised a thousandfold by the purity of a human way of thinking.

#### Against Fictions

Processes stamped with an individual and antihuman label, appearing in opposition to the human concepts of socialist society and to its community-forming effects, cannot spread because the determinant is the behavior and ethical feeling arising from the functions of the brigade, the working groups, the trade unions and the stewards in large industrial plants.

We do not apply the ethics of interdependence conceived in poverty against the natural and desirable process of individual progress, but we do apply the general goal of the prosperity of society against the immorality appearing in opposition to the public interests. It is possible--and also necessary--to have a higher than average income guaranteed and enjoyed from the creation of great value, and we can acknowledge this, but high income must not be gained from the creation of value through fraud or manipulation! Making money at the cost of destroying or impairing a fuller human life cannot be the exclusive purpose of life, nor can health be sacrificed on the altar of material gain.

The changing circumstances lead the trade unions also to be concerned in more detail and more universally with the moral state of society and with a knowledge of its ethical concepts. The activities of stewards also provide us with a rich, pure source of this.

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## INITIAL RESULTS OF PGR (STATE FARM) REFORM NOTED

Kielce, Radom, Tarnobrzeg Voivodships

Warsaw CHLOPSKA DROGA in Polish 7 Oct 81 p 5

[Article by Zdzislaw Majewski]

[Text] Since 1 July 1981, the PGR's have become the target of new reform measures. They entered the front lines and until 1 October they were the sole testing ground for reform.

It is difficult today, scarcely 3 months later, to evaluate the operation of the new economic-financial system. However, we cannot help noticing its first symptoms in the forms of limiting cattle production and abandoning cattle trade within the cooperative framework and disposing of farmlands and increasing the area of grain cultivation. The primary attention of society is concentrated on reform developments on giant-sized farms. We know little about the operation of small units and their problems. It is worthwhile to examine them, not only for their particular character.

The drudges amid the vast farms of northern and western Poland are the PGR's of the Kielce, Radom and Tarnobrzeg Voivodships. Before the reform, these had been grouped into the Kielce Association of State Farm Enterprises. Surrounded by the farms of individual farmers, they average 900 hectares, but some are even smaller, averaging some 300 hectares.

In general, the three voivodships hold scarcely 0.5 percent of the land resources, for the most part those of the fourth, fifth and sixth classes.

Thus, they have managed to avoid the "bigger-is-better" syndrome, but the influx of the worst farmlands coming from individual farms and liquidated ZGR's [Associated Farms] has doubled the resources of the land used by the PGR's. Today every farm includes lands divided into 100 or more pieces within a radius of 20 or more kilometers. No profit is brought in from construction work, hotels and inns, as the case with many other units. The farms' livelihood is food production.

An unfavorable spread, poor farmlands and the lack of supplemental income create many problems. Nonetheless, the Kielce PGR's manage to overcome their difficulties and pay their own way.

The last economic year was considered in the PGR's to be very unprofitable for farming. Of the 29 associations joining the PGR's from all over the country until this time, during the last economic year only 6 made a profit. The rest closed the year with a considerable deficit.

Among the small group yielding positive financial results are the "backwater" farms of the former association in Kielce. While the profit was not great--1.632 million zlotys by compared to 53.5 million zlotys during the economic year 1978-1979, the fact remains that the tiny group of profit-earning farms did not include many farms with longstanding traditions and better equipment.

Profit is not the most important measure. It can be made in various ways, not necessarily by food production. Terminal production is calculated in net terms; i.e., the number of kilograms of meat, liters of milk and tons of grain the market has received. But here the economic paradoxes begin.

The net terminal production in the association rose and financial results (profit) fell since 1978. To substantiate this, during the economic year 1978-1979, cattle production amounted to 1,094 tons; last year (1979-1980) it amounted to 1,284 tons. The situation with milk and other products is similar.

The financial results may be blamed on poor management and exceeding fodder norms. But this is not the reason for the financial regression of Kielce farms.

The most important causes, in the opinion of the association's director, Kazimierz Jablonski, lie elsewhere. Changes in the allocation system were made three times before reform was initiated. Outlays for the cultivation of liquidated lands represented a significant encumbrance for the farms. Some farms tripled their acreage and new farms also arose on the basis of ZGR's that had a long history of losses. Prices for some means of production and spare parts increased; outlays for repairs rose about 40 percent; the wage fund and benefits for workers also increased.

The price increase for the purchase of livestock within the cooperation framework was most keenly felt. According to compulsory PGR principles, livestock purchased from without are priced at the end of the accounting year according to their purchase price, without considering their increase in value. For example, a calf purchased 3 months before the end of the accounting year for 4,000 zlotys is entered into the annual balance at a sum of 4,000 zlotys. Thus, the increase in costs, over which farms have no control, has meant that, despite an increase in production, profit has been reduced.

There is much controversy surrounding livestock production in the PGR's, particularly since the principle of full economic accounting became binding on 1 July. Complaints about the unfavorable price structure are reiterated, but personnel do not plan to cut their livestock herds drastically. Not only do they count on changes in the purchase price but they are aware that it is very easy to liquidate one's livestock, while it is much more difficult to rebuild the herd. For this reason, all PGR's are shifting to the production of swine herds in a closed cycle. The price of piglets within the cooperative framework is too high; only having one's own sows makes fattening profitable.

On the Przyleczyk farm a calf-pen for the fattening of swine has been adapted to hold 1,100 pigs. At the same time, it still holds calves. The farm is considering putting a second calf-pen into use.

A farm in Korytnica has 200 sows. Here plans are being made to increase the reproductive herd to 350 head. In Zagaje not long ago a pasture for 270 sows was put into operation, while in Chmielnik work continues on 170 breeding stations, to be put into use by the end of this year. Much hope is placed in the Przyleczyk PGR, on which 800 young sows will shortly fill the half-empty calf-pens.

The matter of empty calf-pens built on the authority of a government resolution is not restricted to the shortage of livestock purchased through cooperation and to the high prices alone. I shall return to this problem later.

Hog production is profitable if the farm has its own piglets, but it is most profitable for good producers. During the summer, cattle are fed green forage here, to a great extent. The greatest birth-rate and nearly zero percent failure are observed in the foil tents, criticized until recently. They were praised in each of the farms visited because they provide excellent ventilation, illumination, simple and easy service and, primarily, because they are cheap to construct.

A foil tent for 500 stations is set up on a farm system over the course of 2 weeks. The initial cost of the station in this way is less than 1,000 zlotys, compared with 30,000 zlotys for pigsties. Fattening can be carried out year-round with risk. The minimal depreciation costs mean that in the event there is a shortage of fodder, eliminating the tent from production does not cause large-scale losses.

In light of a general decline in the number of head of swine in socialized farms following 1 July 1981, the trend toward maintaining herds on the Kielce PGR's merits our attention. Problems with beef cattle shape up somewhat differently. Here the imbalance between the price ratios for fodder and cattle have much greater significance. PGR farmers cannot afford to keep calves. But on farms of the Kielce voivodship, the number of head of cattle has declined in the course of a year from 900 head, primarily slaughtercattle. Prices are a very important reason for the decline in head of cattle but not the only reason. Some PGR's want to purchase calves to increase their milk herd, but the POZH's [State Animal Husbandry Establishments] are not able to fill the orders. Cooperation with farmers practically does not exist. Only a single PGR, Goryslawice, will buy 300 calves all at once.

In Wlostaw each year, 500 calves past the vealer stage are set aside for slaughter. But Director W. Ankurowski concludes that fattening is not profitable. The intake material is too expensive. He prefers swine. Two months ago he set aside 62 such calves from a foil tent. This worked better than the cowshed and for this reason, despite everything, he would like to fill up this station once again. But he lacks the foil to cover the tent. He changes it every 2 years, but he always encounters tremendous difficulties in trying to get this allotment. And he does have something to struggle over. In Sedziszow, a calf-pen under foil holds 80 head and for 2 years there has been not only failure.

The unfortunate calf-pens dictated by government resolution are a separate question. They stand idle. Some are used for swine-raising. It is not feasible to introduce calves into these pens unless they are fundamentally redone. The designers and builders have collected their prizes and awards, the investments have devoured

millions of zlotys and the construction assumptions and the execution are an example of waste on a grand scale. Scrapers are not working in time; pumping stations designed to feed the animals granules and chaff are blocked. The investor is making guaranteed repairs at most of the installations.

The Kobylany PGR is a brighter spot in cattle-raising. For 20 years it has been directed by Mieczyslaw Skiba; since then, the PGR has always shown a profit. The farm's specialty is the raising of heifers nearly to calving--much sought-after breeding material. It is a risky venture requiring much knowledge and experience, but it is profitable. It is enough to mention that there were over 300 applications for the 20 heifers offered to farmers in September. In order to make everyone happy, the animals were sold at auction.

The director is an old practitioner. He has survived all the turns of agricultural policy on the farm and has his own recipe for good farming. In his opinion, a permanent production profile should first be worked out and then it should be defended, despite the changes in the economic situation, whether the profile is for swine, cattle or grain.

The newly introduced economic system here, as everywhere, has inclined state farms to increase their area under grain cultivation. Until now, all grain production was designated for high-grade grain. The prices obtained for high-grade grain do not compensate for fodder outlays. More and more farms thus retain their grain and prepare fodder in their own mixtures. This necessity results from simple economic accounting.

The selling of farmlands, so evident on some PGR's following reform, does not occur here. The staff and the director are aware of the operation of the principles of self-financing.

Locating many new investments on farms likewise is very significant. Depreciation deductions do not allow farmers to keep stations empty. The filling of calf-pens, cowsheds and pigsties with stock is becoming a necessity, and this stock must have fodder provided by the farm itself. Thus the sale of farmlands or their surrender to the PFZ [State Land Fund] practically does not exist. What's more, the Piekoszow PGR has undertaken to bring 60 hectares of nonarable farmland into cultivation and the Goryslawice PGR took over from the PFZ 50 hectares of land for which individual farmers made no bid.

As one can see, the first 2 months of reform will not lead to any considerable regress in husbandry and cultivation on the Kielce PGR's. If the price structure improves, there will be no financial losses--which is the main objective. The increase of activism among employees and the directorial cadre is a positive symptom of reform. Both the unions and the self-government behave more and more boldly.

The dream of the Kielce PGR-ists, according to the association's deputy director, Jerzy Jurecki, is to develop every farm so that the PGR's will never again be accused of wastefulness and deficit. Small state farms, functioning amid the individual farmers, should become, in his opinion, centers radiating knowledge and agricultural progress to the whole area. For them this is not only an opportunity but also a necessity. The ideal is still far away. Will the next reform of the socialized sector in agriculture realize their dreams?

indications that things will be better are still not to be seen. A battle is being waged here over maintaining previous production results. But until the renewal encompasses the whole national economy, one should not expect miracles from the PGR's. They are too closely interwoven with the feeble organism of our economy.

The Council of Ministers, in answer to the demands of all farmers, increased the purchase price of livestock beginning 1 October. But unfavorable price ratios will continue to have a negative effect on the production of beef.

#### Olsztyn Voivodship

Olsztyn GAZETA OLSZTYNSKA in Polish 12 Oct 81 pp 1, 3

[Article by Stanislaw Kuchcinski]

[Text] Minister of Agriculture Jerzy Wojtecki began his cycle of meetings with the PGR directorial cadre in Olsztyn. In our region, state farms control 34 percent of the arable land and maintain 49 percent of all cattle and swine population and 48 percent of all sheep. They also supply 52 percent of the livestock purchased and one-third of all milk.

Consequently, Olsztyn Governor Sergiusz Rubczewski had the right to say, as he opened the meeting, that this sector of the food economy is very important and the more rapidly production is intensified there, the faster we will feel the effects on our tables.

Meanwhile, the PGR's have not yet been able to get their bearings following such internal and external changes as shifting to a new work system since July, a result of economic reform. Some believe that this shift occurred too soon and that the PGR's were taken by surprise with this decision. There is much truth in this, but we also cannot deny the validity of the arguments of Deputy Governor Mieczyslaw Lomanowski that, in order to ensure an increase in farm production from 1981 through 1985, our only option is the rapid introduction of economic system solutions, keeping a minimum of administrative-directive measures and broadening action by economic-financial instruments.

Major obligations likewise issue from the new powers that keep many directors lying awake at night. The PGR's, now under the wing of the voivodship office, cannot count on its financial support because its treasury is not rich. Thus, the PGR's and their employees will have as much as they make on their own. Subsidies will be granted only for financing outlays for social-communal purposes. In, the short-term, each enterprise must be profitable. This means the proper sowing structure, the needed agrotechnology, the utilization of grasslands, ensuring that the less expensive farm-supplied fodders are in plentiful supply and, finally, the elimination of waste and the application of principles of thrift at every turn.

Small farms and large plants operate under more difficult conditions than in other regions of the country. These very difficulties, observed Michal Chodorowski from Szestno, increase production costs by 25 percent. This should be allowed for in zonal pricing for the sale of farm products. "And if this is not possible," said M [ichal] Chodorowski, "then we do not want anyone in the future to conclude agreements or to make commitments in our name. We are producers, and we ourselves should handle both production and sale under profitable conditions."

Then Zygfryd Gladkowski from Szczytno asked: "What sort of production are we to undertake in order to be able to pay our own way, to make a profit in our situation, in which soils of the fifth- and sixth-class predominate? To make matters worse, there is a shortage of housing without which we cannot run farms well. In the last 5-year plan, 23,000 stations were built for cattle in our region and barely 500 dwelling units for workers."

Nearly all asked the same question as they spoke: What is to be done with industrial farms, which produce a great deal but at great expense? This is especially true of cattle farms, both milk and slaughter. This problem is not taken into account in reform assumptions. Meanwhile, in Olsztyn, we have much permanent grassland that favors the cattle-raising especially slaughter cattle. Are we to abandon such production, or sustain losses?

"Of course, profit is necessary," said Piotr Lazowski from Lidzbark," but it cannot be an alternative to production: it should be its effect."

"We were happy with the slaughter cattle farm in Miedzychodz," said Eugeniusz Koska from Zalew, "but beef from this farm according to the compulsory prices brings us a deficit. For the present, the farm is full of cattle and we are waiting for something to change in our favor."

"I do not know whether the present discussion is necessary in general," said Zdzislaw Klapecki from Nikutow, "because if nothing changes, after 2 or 3 years, the PGR farm will not be able to withstand the financial strain, and it will abandon animal production anyway."

"If the criterion for evaluating the PGR is profit alone," said Pawel Roginski from Garbno, "most enterprises will shift to extensive farming, but if this socially justifiable?"

"Within several months, a second industrial farm for fattening swine will be ready in Knopin," informed Kazimierz Skupien from Dobrze Miasto." "We have too little of our own land to ensure enough of our own grain for fodder. We will need 7,000 tons of fodder from without to ensure that the farm does not stand idle."

"Every farm is obliged to show a profit within 3 years," declared Leonard Gadzinowski from Bezledy," but only then will I exclusively decide about the directions of production. The law on enterprises does not take into account such a condition, however. Another question is: We are producing wheat in Bezledy, which we are to sell for rolls. Meanwhile we are grinding it and feeding it to the pigs. This is because wheat is cheaper than fodder. Is this supposed to be the case?"

"This year in farming is a good one," said Jan Wieczorkiewicz from Nidzica. "We will have a high rate of pork production, alcohol production and potato production in the plant, but we do not know what to do with the slaughter cattle farm in Kozlow. It produces 1,500-1,600 tons of livestock annually, but it also loses 40 million zlotys. This is the result of sale prices that are lower than production costs. The personnel ask me, What's next? The farm should not be closed down, but we cannot put up with such losses. The crew in Kozlow is no worse than that in Waplewa, where a swine farm will show a profit this year of 70 million zlotys. What criteria should be applied to these two farms and their employees?"

Wladyslaw Dragun from Morag made similar remarks and moreover suggested that some sort of social organ representing PGR's from all over the country operate within the ministry under the new conditions.

When one hears such a multitude of doubts and critical observations, many of which have been expressed for years, the question arises: Will the PGR's straighten things out?

Jan Debecki from the PGR CZ [central administration], in answer to these doubts, stated that the one who takes the lead takes the beating. The PGR employees are first in line under the new reform conditions. The question of farm production looks the same all over the country and it must be generally solved by the end of the year. According to selling prices, preferred production will be for pork; on the other hand, beef can be profitable if it is exported. Farms should make a partial shift to raising heifers. No one will permit us to depart from the criterion of profit. This is likewise the basis for calculating the bonus fund. The economic system in the PGR guarantees moderately profitable market prices for farm products. When all of this gets a shakeup, the prices will again make repeated changes.

Minister Jerzy Wojtecki acknowledged that he is not surprised by critical remarks and doubts. These issue from concern over farm production and over improving the economic results for enterprises and the work force. The fact that the PGR's were the first to initiate the implementation of the principles of economic reform will bode well for them because it has enabled them to resolve many issues that will be difficult to force later. In characterizing the domestic farm policy, the minister emphasized that agriculture is one and that all its sectors, are, and will be, treated alike: well and with respect. Individual farming is a permanent element of the socialized economy. However, about 3 million individual farms have with an average area of 5.5 hectares.

"The individual farm" continued the minister "must consequently expect to yield to structural changes, including the concentration of its land to enable the broader use of technology. Individual farms should be considered first in the distribution of unused lands. Of course, if there are no purchasers among individual farmers, the PGR's must take over the land even if they are unwilling to do so. But this is an extreme measure, for socialized farming must first manage well what it already possesses and it must really become high-production, leading farming. Everybody knows that on some PGR's many bad things have been done, casting a shadow on the entire socialized economy. PGR production should have an effect on all of agriculture, guaranteeing sowing material and breeding animals.

"In considering the profitability of pork production, given the limited possibilities of purchasing fodder grain from without, we must increase our use of potatoes and also apply extensive feeding in beef production. The PGR's should attach more importance to concluding contractual agreements with the milk, meat and sugar industries, as well as other industries, so that they may sell their products at more profitable prices. With regard to the means of production, improvements in mechanization are forthcoming; on the other hand, the wait for chemical means will be another 2 or 3 years. To a great degree, this depends on calm, an improvement in the domestic situation and, in turn, the possibilities for increasing industrial production for agriculture. We are very anxious to prevent unprofitable farm operations in Olaszyn and we want to ensure that no farms have to be shut down.

Much is being said about the need for exchanging grain for industrial fodder. This is a good idea and we will do this. But first we must ensure enough fodder for the exchange. We are finding it difficult to find corn seed."

Jerzy Wojtecki acknowledged that working and farming conditions are more difficult in the north. However, he stressed that with the right agrotechnology, we can achieve voluminous, profitable production. He said, "I know that it is difficult to live and work on the PGR's, but in spite of everything you must be more optimistic, being aware that the PGR's are fulfilling, and will continue to fulfill, an important function in the work of feeding the nation. The only new factor is that every director must take a pencil in hand and see to it that every operation straightens things out within the next 3 years; i.e., that it makes a profit by means of increased, cheaper production."

The meeting, in which Zgymunt Kruk, secretary of the PZPR Voivodship Committee also took part, closed with the following statement by Sergiusz Rubczewski: "In taking the PGR's under my care, I am convinced I am taking on a good work force, a good cadre of people who can do a great deal. Together, we will eliminate everything in life and in work for that stands in our way."

#### Gorzow Voivodship

Zielona Gora GAZETA LUBUSKA in Polish 29 Oct 81 p 6

[Interview with Tadeusz Zell, head of the Legal-Organizational Department of the PGR [State Farm Enterprises] Association in Gorzow by Czeslaw Kwasny; date and location not given]

[Text] Economic reform in the PGR's, a pioneering effort introduced in July, has gained a "new impulse" (at least this is what those directly concerned are saying) in the form of Sejm laws concerning the enterprise and the workers' self-government.

In the Gorzow Voivodship PGR, as we have already published, work on our own statutes on enterprises and farm establishments, as well as on the self-government of the work force, is already well advanced. This work based on the above-mentioned legal documents, is being done in consultation with the work force.

The drafts of these documents, after being discussed and corrected according to the prescribed organizational procedure, will soon be adopted by the work forces as a sort of "local constitution" binding and aiding the work of every PGR.

GAZETA LUBUSKA is discussing this subject today with Tadeusz Zell, head of the Legal-Organizational Department of the PPGR Association in Gorzow.

[Question] In view of such enormous difficulties on the food market, a portion of our society, insufficiently informed, attributes everything going wrong to the PGR farm, which is doing poor work--as if in contrast to individual farmers--and is not supplying the market with farm products on the anticipated scale.

[Answer] Yes, we know something about this type of claim and accusation. As a rule, it is nothing new. This picture of the PGR's as impoverished, wasteful, paying the work force very poorly and having a weak directorial cadre has continued in the opinion of part of society since time immemorial; following the Polish August [1980] the total criticism of the state sector in agriculture and the attacks on part of its cadre began.

I answer this criticism in this way: it is immeasurably difficult today for us to convince the part of society that mistrusts the PGR's that our worker is no longer that browbeaten "PGR workhorse" from the 1950's but is today someone fully aware of his importance in the social system as one of that class of people providing the nation's food.

Please take note even of what is happening today with the purchase of livestock. There is not even enough meat to cover rationing needs, but in voivodships where there is a large PCR force, the sudden decline in goods production has not occurred.

In short, society is not in need of such idle chatter or of the ranking of systems in our agriculture according to which are better and which are worse but of the concrete and perceptible increase of food deliveries to the market. In this regard, the role of our PGR's is obvious.

[Question] We seem to have departed somewhat from the subject, but I do agree with your view that the same, undeservedly poor opinion of the PGR lingers. But let us return to the laws on enterprises and the self-government, which, together with previous government laws concerning new economic conditions, having released the PGR's from the command system, are expected to create completely new, better conditions for increasing PGR production.

[Answer] That is what we all hope. Our PGR work forces are already totally interested in the results of their work, since in their hands rests not the titular but the real responsibility for creating for themselves the conditions for developing production. This means, in turn, the maximization of profits of enterprises and the achievements contingent upon this, such as good wages and living conditions in general.

Based on opinions of which I am aware, both those of the engineering-technological cadre and our PGR work forces, I can only say that the law concerning state enterprises, binding from 1 October, is taken by us to be a progressive legal document, concordant with the spirit of the times and thus fulfilling the expectations of our work forces.

Another matter is that on some detailed questions we are not without criticism. The law was really set up straightaway. Hence, it apparently has certain gaps or inaccuracies. From the viewpoint of PGR enterprises, we pointed these out recently to the vice minister of agriculture, Mr Burczyk, who was visiting Gorzow.

[Question] What were these observations? What problems did the lawyers from your enterprises come up against as they worked out a draft of a statute for the operation of these enterprises based on this law--a statute that would be uniform and submitted to work forces for consultation and approval?

[Answer] To be honest, we expected the law to codify other binding legal documents that must be applied in developing our statutes within a broader scope. Meanwhile, we calculate correctly, the law makes about 15 references directing us to other legal documents. Furthermore, in the chapter on the organization of enterprises, the law does not regulate legal relationships with other entities but indicates that this is to be prescribed by statute. From there is a mere step to the danger that enterprises may treat their statutory documents on such an important matter too formally and arbitrarily.

Undoubtedly the greatest controversy surrounds, and will surround, in practice the regulation in article 34 concerning the procedure for naming a director. Hence in our PGR drafts, we stipulated two ways of deciding this matter; it will be up to the work force of each enterprise to approve a variant. The hitch is that we still do not know the intentions of the Council of Ministers as to whether our PGR's will sometimes not be placed on the register of enterprises in which the founding organ appoints the director.

[Question] And so the law is good "in general," but you have a number of reservations with regard to its application to PGR conditions, especially the specific conditions of those voivodships in which different organizational structures exist--the farm, the plant, the farm factory [kombinat]--such as you have?

[Answer] I agree, but there are, and there will be, specific problems. These include such problems as the issue, much-discussed among us, of self-government production decisions and other decisions in the PGR agricultural plant [zaklad], as well as the level of its dependence upon similar self-government decisions in the farm factory [kombinat]. Here, because of cooperative ties on the scale of the enterprise, the interests of some agricultural plants may be violated at the expense of others. Nor do our collective systems fit the regulations of the law, and so in practice a series of problems will still occur.

[Question] Then, given the number of unknowns, the delay of the "central production" of some detailed legal standards and executive orders, does it make sense in general to prepare and introduce statutes on enterprises together with the work force, right now?

[Answer] Yes, it does, because we know where we stand with regard to the general outlines. In our estimation, the law is generally a good one; on the other hand, there is no reason that the wording of some of the statements in our statutes cannot be treated with flexibility. That is, this version is open to the addition of changes when detailed regulations appear covering, for example, the principles of planning, financing, and setting of prices and the creation of funds for various purposes.

Also legal deadlines oblige the directors of enterprises to present the statute drafts to work forces already--and the need for this requirement is obvious. If we were to wait for every special legal document, the hastening of the economic reform,

universally desired, would be postponed interminably. This is, perhaps, even so in our PCR's, although we are the first in the economy who have been guided since July by the canons of the three S's--independence [samodzielność], self-government [samorządność] and self-financing [samofinansowanie]--in the operation of our enterprises. What is happening from a legal viewpoint--i.e., providing enterprises with statutes and the work forces with self-government statutes--is merely the cosmetic covering of the reform already initiated.

[Question] Does this conclude your remarks and reflections? Roughly speaking, have we exhausted the subject?

[Answer] I believe so, expect for this remark, announced by the directorial cadre and the PCR workforces, that in the future there appear as few executive regulations as possible "wanting to" curtail our three S's.

Thank you for the interview.

#### Torun Voivodship

Bydgoszcz GAZETA POMORSKA in Polish 3 Nov 81 p 3

[Article by Grazyna Medelska]

[Text] Let us recall that since 1 July a new economic-financial system, staked on independence, has been compulsory on state farms. Interference with plans, the imposition of guidelines and directives regarding what to sow how many of what kinds of livestock to raise and what and where to build, have been abandoned. In place of the principle applied until this time, on the strength of which the total results of the enterprise were reckoned, economic accounting has been introduced in farm plants, and state subsidies have been liquidated. Although we cannot expect the introduction of reform itself to be a radical cure for all weaknesses (for this is neither a rapid nor an easy process), we cannot help noting that the changes made are fostering an improvement in farming and the attainment of profitability.

Not all plants have an equal start toward achieving independence. As a result of the investment policy previously conducted, some have better conditions in this direction, and some worse. However, everywhere the considerable enlivening of work forces and directorial staffs is observed; they are offering their advice everywhere concerning what should be changed, how production should be adapted to existing potentials and what should be abandoned.

Here are some examples from the Torun Voivodship. In Dusocin it has been proposed that the direction of production be changed and that pigs be raised instead of herts. In Marusza, a plant thus far bypassed in investment policy has determined that sheep-raising should be the leading branch of animal husbandry. "On our hilly lands this will be most profitable," state Henryk Laskowski, shepherd and also chairman of the workers' council. The old proverb does not proclaim in vain that who has sheep has whatever he desires. There are 1,700 head of sheep in Marusza. On the base in Wegrowa are about 1,000 pigs and 80 milk cows. This whole herd, not a small one considering that the plant in Marusza has only 800 hectares of land, will be kept. Henryk Laskowski justifies this by saying that without livestock-raising there is no economy.

On the Salno plant, on which 1,000 hectares of arable lands are being brought into cultivation for the future, warehouseman Ryszard Wojcik and cowman Edward Gronowski, both members of the workers' council, note with satisfaction that profits from the milk cattle barn have always led in the enterprise, bringing in enough to pay the wages of the several dozen members of the crew, with a surplus. This cattle barn, once "modernized" with no expense spared in accordance with the then obligatory fashion for barns with no litter, is being reconverted into a traditional barn upon the initiative of the directorial staff of the plant and its workers' council. Rubber mats and metal grates are cold for the animals and it is easy for them contract inflammation of the udder and extremities. Moreover, mats are expensive and they do not last. Grates are likewise expensive and often crack. Straw is healthier for the animals, and there is an ample supply of it on the farm. In this way Jan Chojnacki, director of the plant, explains their decision.

Directly following the shift to self-accounting, Salno opened its own export base for young cattle. By the end of July, 65 breeding bulls had been sent to the FRG and to Greece and a second such shipment was prepared for late October. A third will take place in December. This is profitable from the viewpoint of prices. The Salno work force is likewise preparing 150 tons of barley for export.

Of course, the plant derives its main profits from goods supplied to the domestic market. In its account, 3 million zlotys have been brought in for cole, approximately 700,000 zlotys for grain, several million zlotys for peas raised due to the proximity of a cold storage warehouse in Grudziadz. 3.5 million zlotys for milk sold from July to the end of September, 2.4 million zlotys for heifers with calf. Salno will certainly not have financial problems; there is likely to be a significant bonus fund.

By accepting independence, which, in the opinion of the speakers from Salno and Marusza is indispensable for improving the effectiveness of work and eliminating poor management (2 years ago, recalls Marek Chodyna, a fieldwork overseer from Marusza, the cole had to be plowed under, and on order "from above" the field had to be sown with barley), neither plant hides the fact that things are very hard in farming and the promised "green light" is not at all seen. Farming is a field closely linked to other sectors of the economy; if not supported by them, it cannot solve the food problem. Without plowshares, fields cannot be plowed; some tractors are standing idle for lack of tires, and there are not that many tractors on our farms as it is. Tractors have to be taken out of service for lack of a common gasket. The search for indispensable parts, wherever possible, is expensive; people become exasperated with the meager allotments of fuel compared to their needs and with the frequent power shutoffs.

The coal shortage worries PGR work forces. At Salno, for example, from July until mid-October, there was not one delivery. An attempt was made to resolve the matter directly in Silesia, but there, complained the members of the self-government, they were asked for porkers in exchange, to which the plant could not agree. Consequently together with the director it was established that after the fieldwork, in November, the members of the work force would gather wood for fuel in the forest instead of taking their vacations.

There is also talk in the PGR about problems with planning resulting from unstabilized prices. Sugar beets are profitable at their current price, but the question arises, will they continue to be profitable in the event that the price of fertilizers or

weedkillers is increased? It is also being said at Salno that in the near future a decision must be made concerning the demand for reducing the cow herd caused by the economic situation, despite the high price of milk. The cost of labor has gone up. Still few people are willing to work every single day of the week in the cow barn, and there are not enough people to organize work into two shifts.

Many things are likewise unclear as to the principles of the reform itself. People would like to know who covers the differences between production costs and an enterprise's profits from former years; they ask whether it will be just for the work forces of farms that are insufficiently invested to work off earlier negligence at their own expense. This is something that must be spread over some time, whereas the farms have only 3 years to get out of the impasse. Many organizational unknowns affect the role of enterprises and the methods and scope of their cooperation with plants.

As yet, no departure from animal husbandry has been noted in Salno, Marusza and Dusocin. But it is rumored that here and there that happens. Hence doubts arise as to whether the promotion of profit as the sole criterion for evaluating plant and its work force (and that at current prices) is fair. The profit criterion encourages basing farming under these conditions on plant production and reducing the more labor-intensive and thus less profitable raising of animals. There is also fear that under a new system based exclusively on profitability, the PGR's will lose their interventionist character. Given the difficult food situation in the country, with the dominance of the individual and difficult to influence sector, this may intensify the present market problems.

The PGR reform is the initial stage of changes to be binding on the entire economy beginning next year. What is happening in them is, despite numerous problems and ambiguities, according to all indications, a step toward the primary goal—that of more effective farming and intensified food production. But it is merely the starting point down the road.

#### Opole Voivodship

Warsaw ZYCIE GOSPODARCZE in Polish No 45, 8 Nov 81 p 6

[Article by Mieczysław Ganczarek, Eugeniusz Otolinski and Władysław Ratusz]

[Text] State farms have become a testing ground for economic reform within the entire national economy. Beginning 1 July 1981, a new economic-financial system was introduced in them. In this article we discuss the experiences of the PGR in the Opole Voivodship, but our conclusions really extend to all state farming.

The Opole PGR, which farms an area of 125,000 hectares of arable land, is among the leading in the country. For example, for 1976 to 1978, grain harvests averaged 40.7 quintals per hectare; clover brought 25.7 quintals per hectare; sugar beets, 306 quintals per hectare; and potatoes, 223 quintals per hectare. Likewise during recent, unfavorable years, yields were considerably higher than the national average. Production indexes for animal production and economic results shape up similarly. During the past several years, the total balance-sheet profit (together with subsidies) oscillated around 1 billion zlotys, which represents about 8,500 zlotys per

hectare of arable lands, in light of the average index of profitability for the entire PCR association at the level of 20 percent. The organizational form taken by the Opole PCR is the farm factory [kombinat] with an area of 4,000 to 18,000 hectares of arable land. There are 15 such farm factories in general.

The new economic-financial system signifies a radical change from the previous method of managing the enterprise. An example of the independence of enterprises in planning is the changed volume and production structure.

Table 1

Specifications	Percentage share in the sowing structure for the year		Difference (3-2)
	1981	Plan 1982	
4 grains	41.7	41.5	-0.2
Seed corn	1.5	0.6	-0.9
Rape	9.6	12.4	+2.8
Green fodder	31.5	29.7	-1.8
Potatoes	2.6	2.9	+0.3
Sugar beets	6.4	6.5	+0.1

In 1982, the share of grain in the sowing structure will be reduced insignificantly, less corn will be sown for seed, less fodder greens, considerably more cole and somewhat more potatoes and sugar beets. This results from improvements in the sowing structure, from the adaptation of fodder crop cultivation to the reduction of the amount of livestock and from the high profitability of cole production.

The economic accounting has also tended to exclude from use a relatively small number of stations for livestock in obsolete buildings where poor conditions caused an excessive consumption of fodder and arduous labor. The major cause for the drop in livestock is, however, the decreased possibility of purchasing calves and piglets, given an insufficiency in one's basic herd. As a result, the planned number of livestock is being somewhat reduced.

Table 2

Specification	Amount of livestock on 30 June		Difference (3-2)	Index (column 2 = 100.0)
	1981	Plan 1982		
Cattle in general	98,625	94,535	-4,090	95.9
within this figure:				
cows	28,608	28,440	-168	99.4
Swine	122,382	116,751	-5,631	95.4
within this figure:				
sows	8,178	8,294	+116	101.4

In consequence of the reduction in the amount of livestock, the plan for deliveries of slaughter cattle has been considerably reduced (in relation to the economic year 1980-1981, by 3,800 tons, or 11.4 percent).

The reduction in the number of livestock has also had certain positive consequences. Eliminating the weakest cows increased the average milk yield and total milk production. Thanks to the liquidation of the worst positions, the average consumption of concentrated fodder per production unit has been reduced.

The balance-sheet profit (without subsidies) planned for the economic year 1981-1982 is positive and amounts to 568.4 million zlotys. This is lower than the previous year by 389.7 million zlotys. Enterprises with an average and high rate of output yield have not suffered losses from the liquidation of subsidies due to increases in purchase prices. In the animal production plan for 1981-1982, the criterion of the financial effect is not yet fully reflected. The directors of enterprises and the workers' self-governments, in developing the draft of a plan, have considered the necessity of meeting social needs, even at the expense of the financial effect. This primarily refers to maintaining a part of animal production carried on in unsuitable locations, which means higher production costs.

The new system envisages unremunerative enterprises and plants during the transitional period. It is necessary to make this period as brief as possible. A Council of Ministers resolution obliges unremunerative enterprises to submit a program for liquidating losses to the bank. Waiting until the planned loss is confirmed in the annual balance is not a good idea. An enterprise or plant that plans a negative financial effect should be obliged to develop a program for liquidating the deficit immediately and to present this program to the bank. This program should be developed by a team of experts from the enterprise and, if need be, from outside the enterprise. It should be approved by the workers' self-government, which should also analyze and evaluate the implementation of the program periodically. Such an organizational procedure for liquidating planned deficits for the economic year 1981-1982 has already been adopted in two Opole PGR farm factories. Perhaps cooperation in developing such program will be one of the more important tasks of future PGR voivodship associations.

The organizational structure of the enterprise has taken shape over the years. In the PGR farm factories, it has led to internal integration: the creation of a closed animal production cycle, the development of construction-repair services, mechanization and transport, fodder production, supply, social activity and the like. In such an integrated enterprise, the level of production profitability in particular plants is, as a rule, differentiated, sometimes very significantly. In conjunction with this, there is a marked tendency for strong plants in independent enterprises to isolate themselves. Such organizational changes should be executed only in specially justifiable cases and such action should have as its purpose the elimination of obvious irregularities. It is feared that highly profitable plants will maintain and even increase their results, while weak plants may sink into greater losses, at least during the next few years. On the other hand, with the full utilization of principles of internal accounting, the broad scope of plant independence would be ensured. The well thought-out and well-prepared organizational structures of the Opole PGR farm factories and the relative stability of these structures have led, to a great extent, to good results.

During the first operating period of the new economic-financial system in the Opole PGR farm factories, their internal organizational structure did not undergo any basic formal changes. The plants continue to operate on principles of internal limited economic accounting, with the exception of the Opole Horticultural Farm Factory, which as formerly remains on full internal accounting. However, the scope of the economic accounting of plants has been deepened, and in its wake the scope of the independence of plants has been broadened. In most farm factories, plants work out their own production and financial plans, and the bonus fund created jointly for the enterprise is divided among the plants on the basis of guidelines determined by the self-government, which also distributes the fund (primarily the criterion applied is the financial result). However, during the introduction of reform, plants in some farm factories will probably shift to a full internal economic accounting. In some farm factories, one also senses the tendency for plants to shift to full economic accounting, thus achieving the status of an enterprise.

One of the fundamental tasks of the new economic-financial system and of the motivational system coming within its reach is the "socialization" of management, expressed, among other ways, through the identification of the goals of the work force with the goals of the enterprise. The operation of the part of the motivational system that affects the bonus fund is strong enough in good enterprises, which have a level of profitability enabling the creation of a bonus fund, with prospects of continued growth. In such plants the work forces can benefit from the relatively large bonus fund, and they are interested in the continued improvement of the financial effect until the upper limit of this fund is reached, which is 60 percent of the wage fund. When the bonus fund is exceeded, it ceases to act as an incentive stimulating the greater economic effectiveness of production. Within the Opole Voivodship are two such highly profitable enterprises, namely, the Kietrz Farm Factory and the Farm for the Industrial Fattening of Swine in Zalesie. The work forces of both enterprises note this problem.

A second group, in which the operation of the wage fund appears to be too weak, is composed of transitionally unremunerative enterprises that are improving their results. The bonus fund deduction during the deficit-liquidating period in such enterprises may not exceed 25 percent of the wage fund in the 1st year, 30 percent in the 2nd year and 40 percent in the 3rd year. Since "getting out" of debt as a rule demands a greater effort on the part of the work force than work in a well-organized enterprise, it seems that such a setup for an incentive system is too weak.

The main source of financing for endeavors such as investments of a production nature is the enterprise development fund. In this case as well, the economic-financial system prefers a profitable enterprise. The fundamental source for the creation of the development fund is the balance-sheet profit. Thus, the situation arises in which a profitable enterprise, and particularly a highly profitable enterprise, will have at its disposal a large developmental fund, while having sufficient and sometimes even surplus funds. On the other hand, unremunerative enterprises can draw the necessary funds to finance investments only from repayable bank credits with interest. This can limit their developmental potential, thus complicating their "getting out" of debt.

Add to this the fact the unremunerative enterprises, moreover, must incur bank credit to finance balance-sheet losses and the bonus fund and the fears concerning their ability to pay back credit and interest during such a difficult period for them appear to be justified. As everyone knows, there are many such PGR enterprises.

## Farm in Plock Voivodship

Warsaw ZIELONY SZTANDAR in Polish 8 Nov 81 pp 3, 4

[Article by Adam Orlowski]

[Text] Beginning 1 July 1981, a new economic and financial system has been compulsory on state farms. It is said that the PGR's, besides being a business, are a testing ground for reform.

In order to learn how this testing ground works, I recently visited the PGR in Dzierzanowo (Plock Voivodship). Several years ago I became acquainted with the director of this farm, Zygmunt Berhendt, and with his wife, a zootechnician. They are both still working in Dzierzanow and they enjoy well-deserved authority among their subordinates and the recognition of their superiors.

From a distance one sees the large installation of four pavilions, solidly enclosed. This was not there 4 years ago. In place of the grain then being cultivated there, I now see single-family houses and further on several housing barracks, a fodder-mixing plant, workshops and fuel bases. Much progress has been made in 4 years. I am curious how much all of this cost and who made the decisions concerning these investments. Why has all this been built on a field where grain once grew?

"They gave the order, so we built what they told us to," says Wieslaw Bielestewicz, the caretaker, as he gives me a tour of the brand-new facility. He speaks in such a tone that I don't know whom he is speaking of--the directors, the association, the ministry or something or someone else. I say that a calf-pen for 1,000 head is enormous, and where are they to get so many calves?

We are accompanied by the head PGR bookkeeper, Jozef Szramowski. He points out that even in cooperation with farmers, their farm would not be in a position to assure themselves of 1,000 calves (the number of stations in the four pavilions). It would be a shame if an installation valued at 36 million zlotys--thrust upon the Dzierzanowo PGR by PGR superiors--were not fully utilized. Thus, the installation is undergoing indispensable adaptation and what happened here fills this space.

What Do They Know about Reform?

"And what if they told you now to build here?"

"We wouldn't agree to it at any price. We needed and still need farm buildings, not such buildings."

"Does your 'no' issue from the powers you have achieved?"

"Yes, and that is the first way in which the reform has succeeded," says Jozef Szramowski. "Although, to tell the truth, our independence gained as a result has been little implemented. This is perhaps because we likewise did things our own earlier, which lies in the nature of our director."

"What does the reform mean to you? What does it consist of in your PGR? How does it affect you?"

"I don't know," answers W [iesław] Białasiewicz. "I don't read the papers and I don't have time to watch television."

"And what of the others?"

"Ask them yourself, sir."

The 1 July reform has convinced us," asserts the bookkeeper, "that we must keep our feet on the ground, thus adapting the directions of production in order to be moderately self-sufficient, keeping careful watch over costs in order not to plunge into a deficit. What is bad, however, is that on many questions--e.g., prices or guaranteeing the means of production or cooperation--binding decisions have not yet been made, even though several whole months have passed."

So much for the bookkeeper, who tells us next that for the economic year 1980-1981, the Dzierzanowo PGR showed a loss of approximately 7 million zlotys.

"That is why we didn't wait," I was informed in a conversation with Tomasz Skorupski, senior specialist for production matters, when I asked him what he had to say about the reform in his PGR. "We proposed subordinating plant production to animal production, especially last year; there is no other way out."

"We have many farm animals, pigs, cattle. Somehow we had to hold onto them. On the other hand, we have no guarantee that next year we will be able to purchase as much fodder as we need. We are sure that we will not be able. This is one reason why we sowed considerably more acreage with grain than formerly."

#### Mostly Grain

"The Dzierzanowo PGR farms on 1,158 hectares. It includes 1,275 hectares of plowland (together with household gardens). It has 26 hectares of meadow, 133 hectares of pasture, 57 hectares of forest and forested lands and 50 hectares on which farm buildings are located. Of the fields under cultivation, over 600 hectares was designated during this economic year 1981-1982 for grain, primarily barley and wheat, since soils of classes 2 and 3 predominate. Harvests yield, and sometimes exceed, 35 quintals per hectare. The Dzierzanowo PGR sows cole and sugar beets, supplying the nearby sugar refinery in Mala Wies with raw material. This year 269 hectares of corn were also planted. The farm has two self-propelled combines for harvesting, so it should have no problems."

"Why do you plant so much grain?"

"For several reasons. Most importantly we must supply ourselves with fodder, and fattening is profitable. When the price for cattle was 86 zlotys per kilogram, fodder was likewise cheaper. But when the price of purchased fodder went up 1 July, even raising pigs ceased being profitable. The current price, 110 zlotys, strikes one only of profitability. If we have our own fodder, except for indispensable concentrates and additives, we can make a profit. But we don't know how things will be next year, what the prices will be."

"These unknowns hinder the rapid introduction of indispensable elements of reform; for example, more substantial changes in the structure of production. In a crisis situation, when, for example, there is a shortage of fuel, one must also consider

whether it would be better to reduce our area of beet cultivation in favor of grain, which is five-fold less labor-intensive than root crops and thus less fuel-intensive, since all of our fieldwork is mechanized. And if there were no stoppages, there are some days on which tractors with trailers full of beets can make only two trips between the field and the sugar refinery, because there are lines there kilometers long.

#### They Treat Us the Way They Used to

"To tell the truth, we have only a reform decree, not taking into consideration our internal action on this subject," says the bookkeeper. "In our own documents, we have tried to capture all of the important points, introducing an internal accounting in all of our five plants; i.e., Dzierzanowo, Pilichowo, Grodkowo, Ciesle and Osiek. All our plants are already applying limited accounting. Their directors note everything that comes into and goes out of the plant. This requires nothing in order the directions of production in the particular plants.

"The plant in Dzierzanowo raises pigs, cows and heifers and has a calf farm in the new building for the whole farm complex. It also carries on plant production. This is the largest plant in terms of acreage.

"Pilichowo raises pigs, cattle and likewise carries on plant production. Grodkowo raises cows and carries on plant production and likewise has an alcohol distillery. Ciesle carries on plant production. The two distilleries of the Dzierzanowo PMO process PCR potatoes and potatoes purchased from individual farmers, but because of a potato plague, the potatoes are beginning to rot. The directors of the distilleries, Jan Cichalewski in Grodkowo and Krzysztof Jesionowski in Podgorze, have been without purchasing, explaining this also by saying that they have not yet received their entire, indispensable supply of coal."

#### What happened to your independence as promised by the reform?"

"Until now, to tell the truth, we don't know," admits the head bookkeeper. "For example, in accordance with the assumptions, our prices should be the same as the farmers', but for the present they treat us the way they used to. Apparently we are not to pay a tax (approximately 2 million zlotys) on the wage fund, but for the time being we are still paying it. Apparently, we are to pay the same tax as individual farmers. We receive the means of production through the GZ [Rural Commerce Cooperative], according to the distribution index, and we have to stand in line just like the others.

"There is justice, finally!"

"But there is no efficiency. Especially since the situation with investments is unclear."

#### "What do you predict for the economic year 1981-1982?"

"We are not planning a profit. Let's hope that we break even, but losses are likely to result from the above-mentioned causes. Besides, it is very difficult to plan anything this year, since prices are unstable. If, for example, fertilizers increase, and so many use a great deal, won't the reform have boded ill for us?"

## Pluses and Minuses

"The most important plus of the reform is that people are giving some thought to how much this or that costs," says the bookkeeper. "People are really beginning to do this in the PGR. They have had it confirmed that now everything depends on their resourcefulness and effort, and not on somebody's decisions in the capital or the volodship. Once it was not so. Today every product must be calculated separately. This is a plus of the reform. The first smart move was establishing uniform prices for grain. This pleases us in particular because we are preparing to raise more grain in order to become self-sufficient with fodder."

"You are increasing grain cultivation; what are you restricting?"

"Temporarily we are reducing our swine-raising. Once we had 6,000 head, raised mostly on purchased fodder. Today we have about 2,600 head, primarily using our own fodder."

"Do you believe that the PGR in Dzierzanowo will manage all right for itself in everything? Will the farms need any sort of 'cover'?"

"There should be an association set up exclusively to give advice--e.g., on investment subjects--and our investments are large. Until now, however, only depreciation deductions have increased our investment fund. A special investment fund should be created in the PGR, now that the reform is bringing about the liquidation of all subsidies and supplements to investment activity."

"Does the liquidation of subsidies also affect production activity?"

"Of course, the liquidation of subsidies for production activity, which has the effect of equalizing prices, will also occur."

"This is tied in with independence in establishing the directions and volume of production. You already have this. What don't you have?"

"We don't have the certainty that everything will be released from the hands of an envious bureaucracy."

"Is the basis of your developing your own funds?"

"We are beginning to use our own funds."

"Are you introducing principles of awarding bonuses based on work force profit-sharing?"

"We are trying to do this. But we do not know what the consequences of all of these measures will be. Our director is an optimist."

I return to Warsaw without waiting to see the director, whom I met 4 years ago. He had to leave that day with his wife on an urgent matter to Plock. But maybe it's better, because I was able to look at the farm he runs without his presence.

## Gdansk Voivodship

Gdansk GLOS WYBRZEZA in Polish 10 Nov 81 p 3

[Article by Jaroslaw Galikowski]

[text] The results of the purchase of slaughter animals in the third quarter and in October indicated that swine production in state farm enterprises is more stable than in the sector of individual farming. Both on the national scale and in the Gdansk Voivodship it has become evident that in this sphere these enterprises are, for the state meat industry and in turn for the market and for supplying the population, a more solid partner than a fairly significant portion of individual farm producers.

In the third quarter of this year, 41 percent of all slaughter deliveries on the national scale were implemented by the PGR and production cooperatives; in September the share of the socialized sector in the purchase of slaughter animals had already reached 45.6 percent. This sector--the PGR, the RSP [Agricultural Production Cooperatives] and the SKR [Agricultural Cooperatives?] group farms--controls only 25 percent of the national area of arable lands.

What is the situation in the Gdansk Voivodship? We will limit ourselves to the enterprises in the PGR Association. Their share in the structure of managing arable lands amounts to 23 percent. In the third quarter, these enterprises supplied nearly one-third (32.4 percent) of the slaughter animals purchased in the Gdansk Voivodship. The situation in October was similar (34.1 percent). In the Gdansk Voivodship, according to data from the Voivodship Enterprise for the Meat Industry, 7,709 head of slaughter animals was purchased, of which 1,282 tons was supplied by the PGR.

According to sector agreements from the annual plan of deliveries for the meat industry, the enterprises of the Gdansk PGR Association were to supply 1,431 tons of slaughter pork during the third quarter and 955 tons of slaughter beef. These plans were executed and were significantly exceeded, by 135.3 per. (pork) and 135 percent (cattle). The meat industry received 2,206 tons of slaughter pork and 1,194 tons of slaughter beef from the Gdansk PGR. In the execution of these tasks, the enterprises started under conditions of equal difficulty with those of their neighbors, the individual farmers; i.e., they had a particularly difficult year--a period during which severe fodder shortages forced them not only to reduce the number of their livestock but also to sell some of their porkers at lower weights. In July, the fodder situation underwent some improvement. One reason for this was that the Gdansk PGR borrowed 1,000 tons of grain from the PZZ [State Grain Elevators] on account from this year's harvests. In the third quarter it was thus basically unnecessary to sell porkers at reduced weights.

For the sake of clarity it should be added that in the Gdansk PGR last year's meager harvests and the fodder problems that lasted nearly all winter and spring caused a reduction in the number of farm animals. In September 1980, these enterprises had 119,000 stations available for swine and all these stations were then in principle being used for production. On the other hand, in September 1981, after the liquidation of the so-called seasonal stations and substitute stations, they have 113,200 available for 113,200 head of swine, of which 108,000 were used. Thus, the total

number of pigs declined fairly significantly. Slaughter pork production, however, has declined to a lesser degree than is reflected by these comparisons. By comparison with the third quarter of 1980, deliveries of slaughter pork have been reduced by only 5 percent, which is considerably less than the decline from individual farmers.

This has resulted, in the first place, from the fair profitability of raising swine (following the April price increases for the purchase of slaughter pork) up to October 1981 and from the high profitability of raising swine (following another price increase) in October under PGR conditions--profitability kept a respectable level in traditional buildings in which the swine are fed potatoes, green fodder, beets and the like in addition to concentrated fodder, as well as profitability based on the very good fattening of swine done on industrial farms in Grabowo Kosciarskie and Strzebielino Morskie, where the porkers are fed concentrated fodder exclusively.

The second reason that slaughter hog deliveries exceeded last year's third-quarter deliveries was based on the good will and civic attitude of the work forces and directorial staffs of PGR enterprises involved in raising swine. More than once, when the monthly plans for the purchase of slaughter hogs from an individual farm began to break down, the voivodship authorities and the directorship of the Voivodship for the Meat Industry, concerned over the fullest possible implementation of rationing distribution, appealed to the Gdansk PGR with a request (when there's a crisis, go to the PGR) for stepping up hog deliveries.

From good will, both the PGR enterprises and their work forces struck a losing bargain. If they had restricted themselves to the implementation of the third-quarter delivery plan and had delivered the surplus that exceeded the plan to meat plants after 1 October--i.e., after the price increase introduced on that day--they would have made an additional 11 million zlotys and their work forces would have gained over 6 million zlotys in bonuses. It would have been enough only to hold back some of their porkers for a few more days or weeks, as a considerable number of individual hog-raising farmers did.

This fairly optimistic picture of the situation in swine production at the Gdansk PGR, which fits neither the state of the market supply in meat nor the crisis situation in our economy, including farming, is disrupted by the somewhat unclear prospects of the industrial farms for the fattening of swine in Grabowo Kosciarskie and Strzebielino. They are threatened with a shortage of fodder and, in turn, with the considerable limitation or the complete liquidation of swine-raising. The remaining pigsties and small farms applying traditional forms of fattening do not have this problem. They use fodder from their own grain supplies and other fodder crops. If they are supplied with 60 kilograms of protein concentrates per porker--i.e., the same conditions as those existing on the farms of individual farmers--they can fully use all their livestock stations.

The farms in Grabowo Kosciarskie and Strzebielino were built upon the assumption that they would use state fodder supplies. Partly to this end, a plant for the fodder industry was specially built in Cewice, not far from Strzebielino. Both of these farms need approximately 33,000 tons of fodder annually. The technology of feeding animals in these installations is based exclusively on concentrated fodder. The standard for fodder consumption per kilogram of marketable slaughter pork amounts here to 3 kilograms. In Grabowo and Strzebielino this ratio is reduced to 2.3 kilograms of fodder per kilogram of marketable slaughter pork.

With the full utilization of all stations, these farms are in a position to produce almost 9,000 tons of slaughter pork annually. They are not fully utilized (about 11,000 stations) because of problems with fodder. Things may get worse, since the fodder reserves accumulated both in Strzebielino and in Grabowo Kosciarskie will last barely to the end of 1981. If the fodder situation of these plants does not change, by the end of December 1981 these farms will have to liquidate their hog-raising, sell their porkers and piglets and sell their sows and young pigs if they find buyers or designate them for slaughter.

What does this mean? Above all, it will deprive the market of the Gdansk Voivodship of about 9,000 tons of slaughter pork and will thus reduce the meat supply and will increase considerably the dependence of Tri-cities on deliveries from other voivodships already in very short supply. It will mean that the qualified work force of each of these installations will lose their jobs and it will also mean the closing of modern plants for the industrial raising of swine, the construction of which cost several hundred million zlotys (nearly 400 million zlotys in Strzebielino).

This cannot happen, particularly given the current tragic situation of the national supply of meat and meat products, all the more so, since the production of meat on such farms is highly profitable (under the current prices for the purchase of slaughter pork and the prices of grain and fodder), bringing in an annual profit of 40 to 50 million zlotys.

The attempts to allocate fodder for the Grabowo and Strzebielino farms have been going on for a long time. They are being made both by the voivodship authorities and by the Gdansk PGR Association. The numerous recommendations and letters sent on this matter to the Ministry of Agriculture and the Food Economy have received no answer. The Gdansk Voivodship is not in a position to guarantee these farms a sufficient amount of fodder. Meanwhile, fodder must be secured for the first and second quarters of next year. If the decisions on these matters are not undertaken in the course of the next 2 weeks, these farms must begin the gradual liquidation of hog-raising.

This issue does not only affect the farms in Grabowo and Strzebielino. Approximately 50 farms of this type for the industrial raising of swine in Poland are in a similar situation. The secretary of the PZPR KC [Central Committee], Zbigniew Michalek, spoke at the Fourth Plenum of the PZPR KC concerning the necessity of filling up farms standing idle due to a lack of fodder. Approximately 400,000 tons of fodder is needed for this purpose on the national scale. This will enable the production of approximately 110 tons of slaughter pork. From the statement made by Comrade Z [Zbigniew] Michalek, such a decision has apparently been handed down in the Ministry of Agriculture. If so, let us hope that it reaches Gdansk as soon as possible.

MSJL

Date: 2809/18

## POLAND

### COAL PRODUCTION CONSIDERED KEY FACTOR IN ECONOMIC PLAN FULFILLMENT

Warsaw TRYBUNA LUDU in Polish 18 Dec 81 pp 3,4

[Article by Krzysztof Krauss]

[Text] The declaration of martial law in Poland has not only restrained but even intensified the preparatory work on the economic plan for the next year. Among others, this declaration has to create conditions for getting out of the economic crisis. This crisis, created by improper policies of the seventies, became even more acute because all attempts to solve complex economic problems have been torpedoed by the political ambitions of counterrevolutionary forces.

Proper preparation of the plan for 1982 and for the whole current five years is imperative in order to break the vicious circle in which our economy has found itself for the last several months.

One of the most important factors of the plan for 1982 is the coal balance. During the current year we will use for our own needs some 146 to 147 million tons of hard coal. If we had to import this amount of coal at the same price that we obtain for it from our contracting parties, the foreign exchange expenditure would amount to some 9.5 billion dollars. This would be almost one-half of all our expenditures for imports up to now.

Only when we realize how much the coal used for our economic needs really costs us, will we treat with the necessary perspective and objectivity the assumptions of the plan encompassing the "output balance" of this basic and up to date need originating entirely from domestic production of fuel and raw materials, except for certain marginal quantities.\*

In 1982 it is proposed to use for domestic purposes 151 million tons of coal, which is more than last year but still less than in the years 1979-1980. Above all, it is considerably more than used for economic purposes by nearly all medium and highly developed countries. If all fuels were converted into the so-called standard fuel. In Poland, in order to produce \$1,000 of national income, 1.78 tons of standard fuel is used, against 0.84 tons in FRG and 0.77 tons in France.

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\*Some, but very large, quantities of coking coal (about 1.1 million tons annually) are imported from the USSR in exchange for the coke exported to the USSR.

In the world's economy, as specialists maintain, the last word has not been said as yet concerning the possibilities of a more efficient use of coal and of other power raw materials.

The application of new techniques and technologies requires time and outlays. For example, in Poland in the machine-tool inventory the share of metal plastic-forming machine tools amounts to approximately 11 percent, while in 1966 in the USSR it amounted to 15.4 percent; in the GDR, 19.6 percent; in Czechoslovakia, 20.7 percent; in the FRG and Great Britain, 22.8 percent; and in the United States, 24 percent. On the other hand, the application of metal plastic-forming instead of the traditional machining saves approximately 250,000 tons (data obtained from Soviet studies) from every 1 million rolled products to be processed. This method also permits economizing (of course, aside from the ore used for steel production) some one-half million tons of coal, which is the "metallurgical charge," plus 130,000 to 140,000 tons of coal burned in the electric power plants only for the purpose of rotating the machines that produce the shavings.

The installation of metal plastic-forming machine tools would require an investment of hundreds of millions of zlotys, mostly foreign-exchange zlotys. This is only one of the possibilities to reduce coal consumption.

Therefore, realizing the enormous potential reserves from the reduction of coal consumption in the economy and beyond it, we must consider at once such a state of technical preparation for a rational burning of existing coal. It seems to me, cases none or almost none.

A planner cannot be carried away by fancy, he must stick to realities. The planners facing planners did not insist in too much coal to "add" to anybody in order to obtain a maximum utilization of the production system, only when and to what degree limitations in coal allotments will affect, in order that losses caused by these limitations would be least severe for the economy and for the consumer.

How is this dilemma being solved in the assumptions of the draft plan for 1981. Of the 131 million tons of coal probably at the disposal of the economy for domestic needs of the country, the major part is scheduled for the power industry. The so-called public-utility electric power plants will be allotted 61.4 million tons. This is less than in 1980, when the power industry obtained 67 million tons, 1.6 million tons more than in 1981. However, we had to consider that there would be increase in power-engineering installations and these have to be provided with fuel. First of all these are heating installations, not those producing electric current; therefore, in practice, the whole increment in hard coal supply for the power industry will be absorbed by new heating installations.

Optimistic expectations, which planners associate with plastic being more active in 1982, as determined by the coal balance, consist in not spending the value of fuel consumption per 1 kWh of energy produced. Thus directly, year after year will be able to operate without longer interruptions, caused by the lack of fuel. The improvement of power consumption indicators would, in turn, enable to manufacture or even an elimination, of single blocks, which often occur.

The next large consumer in the coal consumption balance is the coking plants. According to the draft plan, they are scheduled in 1982 to obtain 22.3 million tons of coal, which, unfortunately, is not only less than in 1980 (25.3 million tons) but also less than in 1981 (22.7 million tons). It will cause a decline in coke production by 0.5 million tons as compared with the forecast fulfillment of the plan for 1981 and by about 1 million tons as compared with 1980. It will affect, first of all, the metallurgical industry by a more than 6 percent reduction, compared with the current year, of production of rolled products, since this is the main coke "consumer."

Planners maintain that metallurgy should have been "sacrificed" by limiting coke production in order to rescue the coal consumption balance for, among others, the cement and food industries. However, if we consider this in the assumptions of the draft plan for 1982, it was necessary to safeguard at least a small improvement in providing the population with coal (30 million tons in 1982, probably 29.1 million tons in 1981). There also must be additional supplies for the power industry, determining the utilization of new production capabilities in electric power and heat-generating plants. Thus, practically, almost nothing remains to improve provision for sectors other than power industry production.

After all, first during 1981, the food industry (a few million tons per year) was operating in low gear and burned less coal than in previous years, because it did not have enough to process.

At present, in 1981, harvests of all basic crops approached the average of many years and some (for example, beets) exceeded this average. Would a "just" distribution of coal--i.e., one consisting in allotments for every industry the same or a little smaller than in the current year--be reasonable? The price that we would have to pay for such distribution would be, in case of food industry, writing off several million tons of potatoes, beets, etc.

Second, in 1981 the cement industry was treated as some kind of "safety buffer." It is very coal- and energy-intensive; an interruption of even short duration in operation permits "feeding" several industries in other establishments with coal. This was practiced quite commonly during 1981. However, this impressive method of "correcting" the coal balance proved extremely costly for the community. Due to the lack of cement construction in several housing developments, rural investments were interrupted. Have we the right to repeat the same mistake in 1982?

A "just" distribution of necessary coal economies among individual production enterprises and branches, consisting of "rewriting" the assumptions of the draft plan for 1982 coal allotments realized in 1981, would be plainly unwise and inconsistent with economic logic as well as with social interests. Thus, planners formulating the assumptions of coal distribution for 1982 were obliged to reconsider from the beginning. It was necessary to raise "allotment limits" for the food industry by at least 400,000 to 500,000 tons (up to 6.2 million tons), because otherwise beets, potatoes, etc. would rot; for the cement industry, by 500,000 tons (up to 3.1 million tons), because otherwise we would be stuck on the level of 1977. But, unfortunately, adding to some, we had to deduct from others.

We deduct from coke plants (400,000 tons) and, because even in this case balance would not be achieved, then from other branches, first of all, those using coal for heat generating. This seems to be a sensible decision if we accept the principle of "less harm." Another proposition, which was accepted--i.e., certain limitations of coal as a technological raw material--could be considered controversial. Further "allotment limitations" concern the chemical industry (according to the present departmental system). In 1980 this branch of industry obtained 12 million tons of coal; in 1981, probably 11 million tons; for 1982 the allotment will be 10.5 million tons. This industry has been affected by crude oil imports reduction and could also receive less coal if that suggestion is accepted.

In considering transportation and "coal consumption by the population," railroad transportation must obtain 3.2 million tons of coal, which will not satisfy its total needs (in 1980 railroads obtained 3.6 tons of coal; in 1981, 3 million tons). In no other European country do commodities travel so often and such distances as in Poland. Every ton of merchandise produced domestically is transported on average three times.

"Coal consumption by the population" (30 million tons) can be considered close to minimum needs but only if, first, a "heating standard" is maintained at a level not below the lower "ceiling" necessary in our climatic conditions. Second, the farms--almost entirely "reoriented" to coal--will reach again for the traditional sources used in these territories as well as in western countries to supplement power needs: peat and especially wood scraps. For several years foresters encourage farmers to cut down, among others, the so-called slash, as indicated by the staff of this ministry, who are ready to give it to the farmers free of charge to use as heating fuel. However, this slash cutting must be done in an organized way. Farmers will have to take care of it themselves, using their own tools, and they will have to take it from the forest by their own equipment. A planned slash clearing is used as a sanitary measure, necessary for maintaining forests in proper state. The ministry, which until recently managed our tree stand, does not have enough personnel or proper equipment to take care of this problem.

The coal "output" balance, accepted in the 1982 draft plan assumptions, is evidently a balance of the crisis period. On the one hand, this crisis consists in the fact that the means, which at this moment can be assigned for investments, are very limited, reducing coal consumption in the national economy. For example, it would be necessary to replace every 20th boiler for coal burning and almost all boilers in the labor cooperative system, a major part of boilers in the communal economy and a large part of boilers in the light industry because their energy efficiency is an affront to any reasonable standard. On the other hand--above all, this is a balance of the crisis period--because as a result of a reduced coal mine operation time, disregarding the economic reality, there was a breakdown in coal production.

It is therefore understandable why one of the first economic decisions after the introduction of martial law was the militarization of this branch of economy. The militarization, maintaining all wage privileges of miners, should prevent further decline of production and create necessary conditions for an optimal solution to the dilemma, how to reconcile the need for maintaining a relatively

uninterrupted mine operation, dictated by cost effectiveness, with the organization of the individual miners' work, which would consider the specific character of this difficult, and dangerous profession. According to the author of the article, the most desirable long-range solution, called for long ago by certain workers in the mining industry, is the development of a system that would enable an uninterrupted operation of mines, while assuring 2 days of rest per week for miners.

In order to develop and institute such an optimal system, we must create, first, conditions for quiet discussions, without any strike, threats and demagoguery, which paralyze any reasonable action; second, we must intensify efforts to shift employees to the mines from sectors where they cannot be used efficiently.

Most probably, it is easier to realize than a few weeks ago; the militarization of mines during martial law will enable a step-up of the present assessment of coal production, at least to the level envisaged in the so-called optimistic variation of the assumptions of the draft plan for 1982 (production of 175 and not 168 to 170 million tons, which is accepted at the present time). This revision "upward" would be consolidated by the development and introduction of organizational solutions after martial law is lifted. Naturally the question will arise, how to manage most rationally the additional coal tonnage.

Apparently it would be necessary to revise the domestic coal consumption balance to a small degree, possibly adding to the deliveries for the chemical industry and power industry, the cement industry and few remaining domestic consumers. The remaining (and basic) part of the coal surplus above the present evaluations should be switched to export.

A ton of coal on the world's markets averages \$70 to \$80. Five million tons more of coal exported would mean an addition of \$350 to \$400 million to the state's income. In addition, with this money it would be possible to buy (according to world prices of 1980), for example, some 1.5 million tons of crude oil or considerable amounts of raw and other materials that we import (ore, wool, cotton, etc). The industry is operating only at part of its production capabilities (at least 20 to 30 percent of its production capacity is not utilized) not because of the lack of coal or power outages and certainly not because of a lack of manpower but first of all because the supplies of all raw and other materials do not cover even the minimal needs. Foreign exchange currency earned through additional export and assigned for increased import of raw and other materials would become a starter for the economy, an impulse that step by step would put into motion every new wheel of the economic machinery.

This—next to calm, order and discipline—is the essential prerequisite to begin the process of getting out of the economic crisis.

2811  
Date: 26/08/1979

## BRIEFS

TRADE PROTOCOL--The Ministry of Foreign Trade reports that on 9 December a trade protocol was signed in Tirana between the government of the PRL and the government of the Peoples Socialist Republic of Albania on mutual deliveries of goods and on payment schedules for 1982. The provisions of the protocol envision a trade turnover volume amounting to approximately 50 billion rubles, which represents an increase over anticipated deliveries for 1981. As was similarly the case during 1981, Albania will be delivering to Poland asphalt, chromium ore, tobacco, cigarettes, and also certain quantities of paprikas, fresh grapes, melons, citrus fruits, processed fruits and vegetables, ready-to-wear apparel, furrier goods, and other consumer goods. Poland will be delivering to Albania, among other things, machinery and equipment for metallurgical industries and the mining industry, electrical engineering and power engineering equipment, textile machinery, laboratory and medical equipment, and also small quantities of coke, rolled metal goods, and refractory materials. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Dec p 7] 11813

KAMINSKI ELECTED--The Ministry of Transportation reports that the 65th session of the CEMA Standing Transportation Commission has been held in Budapest. This session was attended by delegations from the CEMA member countries and Yugoslavia as well as by representatives of certain international transportation organizations. During this session the minister of transportation of the PRL, Janusz Kaminski, was elected as permanent chairman of the commission. The commission reviewed a number of problems raised by the resolutions passed by the 25th Session of CEMA and by the meetings of the CEMA Executive Committee. The commission also re-examined performance records in the fulfillment of international transport traffic volumes during the period 1976-1980 and spelled out targets for transport traffic volumes between the CEMA member countries for the period 1981-1985. Steps were taken aimed at insuring the fulfillment of these transport targets and the coordination of transportation development plans. Also discussed were problems related to the improvement of the regularity of passenger train service, and a program was adopted on cooperation between enterprises manufacturing pullman and dining cars. [Text] [Warsaw TRYBUNA LUDU in Polish 14 Dec 81 p 7] 11813

POLAND-GDR AGREEMENTS--On 12 December the minister of labor, wages, and social affairs, professor Antoni Rajkiewicz, completed a 3-day visit to the GDR. He was received by the chairman of the GDR Council of Ministers, Willi Stoph. Minister Rajkiewicz, who was visiting the GDR at the invitation of the secretary of state

for labor and wages. Wolfgang Beyreuther, also visited manufacturing plants where he familiarized himself with work planning methods and with the living conditions of groups of Polish young people employed in these plants. Ministers A. Rajkiewicz and W. Beyreuther signed government-to-government and ministry-to-ministry agreements concerning further cooperation in the area of employment and working conditions of persons sent abroad to work in GDR manufacturing enterprises. [Text]  
[Warsaw TRYBUNA LUDU in Polish 14 Dec 81 p 7] 11813

GDR PROJECT COMPLETED--PAP correspondent, Jerzy Tomaszewski, reports that an industrial installation designed for the storage of enriched coke used in the manufacture of carbon electrodes went into operation on 11 December at the VEB Elektro-Kohle in Berlin. This installation has a capacity for the continuous storage of 1,000 tons of coke, and this capacity rating fully satisfies the factory's requirements for maintaining an uninterrupted production cycle. The entire installation was built by Polish construction workers. Teams of workers from the industrial construction enterprise CHEMOBUDOWA in Krakow worked on this project. The specialists who drew up the designs for this plant were also recruited from Krakow. The project was completed under very difficult conditions. These difficulties stemmed from, among other things, the need to carry on with work on this project without disrupting the normal production cycle of the plant as a whole and the need to use extremely heavy equipment. Nevertheless, the project was completed within the time frame provided for by the contract and in the process high standards with respect to the quality of construction and installation work were maintained. These facts were stressed by the GDR client who took delivery of Polish capital project without voicing any objections or reservations. [Text]  
[Warsaw TRYBUNA LUDU in Polish 14 Dec 81 p 7] 11813

CSO: 2600/165

## SUGGESTIONS MADE FOR AGRICULTURAL EDUCATION IMPROVEMENTS

Bucharest ERA SOCIALISTA in Romanian No 19, 5 Oct 81 pp 4-7

[Article by Constantin Pintilie rector of the Agronomic Institute N. Balcescu, Bucharest: "Agriculture Keeps Pace With the Needs of Intensive Agricultural Development"]

[Text] The achievement of the new agrarian revolution--a priority objective established by the 12th Party Congress--is organically associated and determined by the capabilities and professional competence of agricultural workers, and of all specialists and technicians in agriculture. Only those who are professionally well trained are in a position to assure the organization of agricultural production on the basis of intensive systems, and to introduce and generalize new technologies. Particularly today, when technology and science are evolving so rapidly, it is necessary for each specialist to be receptive to new ideas, and to understand and readily adopt them for practical applications. But all of this is not possible without a high professional level on the part of all those who work in agriculture, from the cooperative and machine-operator peasant, to the agronomist and scientific researcher, which in turn provides a measure of the high responsibility of agricultural education at all levels.

The present organization of agricultural education in our country allows the training of the agricultural workforce at three levels: higher education, which trains engineers and veterinary doctors; intermediate specialized education and professional schools, which train technicians, mechanical operators, and so on; and the 10-year general compulsory educational system, as well as other mass agricultural education, which train agricultural workers.

Within this training system, a particular responsibility is assigned to the higher agricultural education, designed to assure the formation of future agronomists, horticulturists, animal raising specialists, land improvement engineers, and veterinary doctors, all of whom must be endowed with valuable knowledge since they are the specialists, who together with other agricultural workers will build the objectives of the new agrarian revolution, raising our agriculture to the level of the highest advances of modern science and technology. The five agronomic institutes in Romania, who every year provide agriculture with about 2000 specialists in various professions, perseverently strive to become powerful centers of education, research, and production, capable of training generations of students to meet the needs of the new agrarian revolution.

Stressing the imperative need to move from quantitative accumulation to a new quality in agricultural production, Nicolae Ceausescu defined in his speech to the recent workshop of the Central Committee of the RCP, the concrete ways and means for organically integrating agricultural education and scientific research in the general effort to create a highly productive and profitable modern agriculture. It is our duty, as teachers, to militate for the accomplishment of these indications, because the organic integration of higher agricultural education with production, planning, and scientific research, a process which is in full development and upgrading, represents the sound basis for the theoretical and practical training of future specialists, assures the full valorification of all the working and creative capabilities of our educators, and create the best conditions for the active participation of students and faculties in the fulfillment of the great tasks assigned by the party to agriculture.

In analyzing the tasks and prospects of higher agricultural education in the light of these objectives, I believe it is necessary to point out several features to which we are devoting particular attention, in order to raise the training of specialists to a higher qualitative level.

#### Qualitative Changes in Educational Content

The fulfillment of the new agrarian revolution is determined by the large scale application in agricultural practice, of advanced technologies, and of the most recent progress in modern genetics and biology, as well as in science and technology in general. It is well known that science and technology are presently undergoing an extremely rapid development, that new ideas and modern technologies are constantly coming to the surface, and that only those who will know how to introduce them rapidly into production and fully utilize them, will be able to obtain superior results and reach a competitive position here and abroad. Hence the primordial need to continue to improve the content of higher agricultural education, and of practical courses and projects. This makes it possible for the future specialists to know--while still in school--all that is new in their respective specialties, as well as trends and directions of development of various agricultural sectors. Thus prepared, they can competently exercise their functions in managing and organizing production processes and in applying technologies, understanding the reason for each link in a technology and the need for being receptive to new ideas, which they will adopt and rapidly apply in practice.

In this respect, we become aware of the primordial importance of an analytical program, and of an education and course plan. Well conceived, these assure that students will acquire knowledge in a natural chronological order, and will rationally mesh their studies with agricultural practice. Unfortunately, a number of shortcomings have caused a number of unnecessary duplications, overlays, and repetitions. For instance, some of the courses taught in high school about agrotechnology, soil science, biological techniques, vegetable, orchard, and grapevine cultivation, animal raising, and so on, are also taught again at the university level. We believe that it would be useful to better correlate the structure, and especially the content, of subjects in agroindustrial high schools with those in higher education. We are also of the opinion that technical subjects, such as agricultural machinery, physics, chemistry, and mathematics, should play a larger role in agroindustrial high schools than they do at present.

I believe that these points are the best argument in favor of improving analytical programs and education plans. These will have to be conceived so as to assure a rational utilization of the time spent for instruction in universities, while allowing students to progressively acquire knowledge, and thus to delve deeper into a given subject concurrent with a comprehensive understanding of agricultural production processes. In this way we will create a good boundary between the general education acquired in high schools, and the instruction necessary to train specialists.

On the other hand, some courses must exist which will fully respond to the current and future needs in the education of specialists with a broad range of training. This is especially true since some university courses are loaded with large quantities of data, as a result of which they do not offer students the necessary principles and knowledge, but rather transform the students into recorders of figures. Out of a desire to teach a university course pertinent to today's needs at a high scientific level--which is praiseworthy--many courses introduce elements which in fact are merely research hypotheses. Such knowledge does not help the graduate to better exercise his profession, but on the contrary, can lead to a number of confusions and to a lower level of training for specialists. Which of course, is a different matter from the training of researchers, who must know all the hypotheses about a phenomenon under study. But a specialist must know precisely and clearly how to solve a given problem, and how to apply each separate technology. And if this is the goal of the university--and it can be none other--then inevitably, the instruction of students can be oriented only toward practical activities in production. This is the spirit in which all university courses must be formulated, combining a synthesis of advanced experience.

In order to provide a high quality education, it is our duty to eliminate from education programs all that is old, outdated, and without a future, and every year to renew and improve practical courses and projects through the introduction of new elements derived from the advances of modern science and technology. It is sometimes necessary to introduce new course titles (or even new subjects if needed), so as to offer students the newest problems in agricultural science and technology.

The continued improvement of the program of courses and projects, in keeping with the evolution of modern science and technology, the demands created by the modern social development, and the priorities resulting from the strategy of our socioeconomic development, are designed to assure that students learn new technologies for reduced consumptions of energy and fuels, for combatting pollution, and for eliminating the harmful effects of inappropriate utilization of some chemicals. In this manner we will train specialists with a broad outlook, capable of competently solving various specialized problems, and adapting relatively easily to the inevitable changes that constantly occur in the production structure and in cultivation technologies. Of course, this presumes that the future agricultural specialist will have a sound knowledge of biology and genetics, mechanization and chemification, land improvement, and other areas in agricultural activities. This way, the student will be able to act not only under ideal conditions, which are rarely encountered in practice, but under various real conditions, determined by the nature of the soil, climate, and available technologies, which must be adapted to specific working situations.

## Dialectics of Integrating Education With Research and Production

The agrarian revolution also raises new problems in the practical instruction of students under production conditions. Through the care of the party and state, a favorable framework has currently been created for good practical instruction of students at local teaching stations, where agricultural projects and other productive activities are carried out directly by students, with the participation and constant guidance of faculties.

During these years, our institute has obtained a certain positive experience in this domain, with encouraging results. With the support of the Ministry of Education and Training, and of the Ministry of Agriculture and the Food Industry, the content of education plans and programs at all universities has been substantially improved, and the technical-material basis of the instruction and education process has been developed. The share and role of student instruction under production conditions has been greatly increased. A new attitude toward education through work and for work, was formed and developed among students and faculties, who are participating effectively in the execution of agricultural projects in all sectors of production, both at experimental teaching stations and in production units. The situation has been reached in which all students have driven, under production conditions, the whole range of tractors and agricultural machines available in our country. Some results have been obtained in scientific research and design activities. The support given by faculties and students in our institute to agricultural production units has multiplied and diversified. For instance, at 50 agricultural cooperatives in Calarasi and Giurgiu counties, as well as in the Ilfov agricultural sector, faculties together with students participate effectively in the execution of projects throughout the agricultural year, in field crops, orchards, animal raising, and veterinary work. In this manner, the theoretical knowledge taught in courses is applied by students in real production under the direct guidance of faculties.

In listing some of the results of our work, we are aware that everything we have achieved so far in integrating production with scientific research is much too little.

A true and efficient integration with production does not involve solely education programs based on the requirements of practice, but also a new and revolutionary way of conceiving the activity of faculties. As Nicolae Ceausescu has pointed out at the recent workshop of the Central Committee of the RCP, an effective participation of faculties must be assured in the research and growth of agricultural production, so that these faculties will manage and effectively be responsible for grain, vegetable, or animal raising farms in agricultural units. Participating directly in the organization and management of production, faculties will be in a position to directly apply their theoretical knowledge, thus assuring that the transfer of knowledge to students is carried out under conditions of effective activities in agricultural farms, rather than in university lecture halls. This ultimately means a blending of education and research, which will assure the full assertion of the faculties' position as militants in the formation of valuable specialists, in the generalization of modern technologies, and in increasing agricultural production. A teacher who does not know how to organize and manage an agricultural farm, and how to obtain good productions in his area of activity, cannot be a good faculty member with professional authority among his students.

Based on these considerations, as stated by Nicolae Ceausescu, our institute has assured that faculties and lecturers will take over the production activity in the Ilfov agricultural sector, becoming effectively responsible for the activity of production farms.

The agrarian revolution presupposes a revolution in the technical-material base of agriculture, comprehensive mechanization, rational chemification, maximum valorification of the land and irrigated areas, expanded intensive crops, and judicious crop rotation. Consequently, even while in school, future specialists must master a large volume of practical skills, know how to handle all the types of tractors and agricultural machines used in the country, be able to perform agricultural work at any time and under the best conditions, and succeed in applying advanced agrotechnology under various conditions. By forming a closer bond between theoretical and practical education, and the requirements for an agriculture of high yield and efficiency, future specialists will be able to execute different agricultural projects, and to gradually be exposed while in school to the entire variety of agricultural work, from that of a simple agricultural worker or animal tender, to that of mechanical operator, technician, and eventually highly qualified specialist.

Theoretical and practical training is intimately associated with scientific research. The future specialist must not only be a good practitioner, but also a researcher, an unflagging fighter against routine and all that is outdated; he must never be satisfied with what he has achieved, but must always seek new ways to progress, to promote all that is advanced in science and technology. For that, future specialists should develop an enthusiasm for scientific research while still in school. That is why it is our duty to develop the activity of students' scientific groups, involve more students in the research collectives of the faculty, and solve priority scientific problems; we must foster among students the ardent desire to surpass themselves, and to constantly work toward new solutions and hybrids with high production potentials, a high content of useful substances, short growth periods, resistance to disease and pests, as well as to improve animal breeds with higher birth rates and greater yields.

The experience of recent years proves that a large potential for scientific research exists among the students, and that it is waiting to be fully exploited. In recent years, plant varieties and hybrids with high production capabilities have been created at the experimental teaching stations of our institute. Joint collectives composed of faculty and researchers, have created seven simple corn hybrids with high production capabilities, which are currently being cultivated on an area of over 700,000 hectares. In the vegetable sector, the Export II tomato strain created in our institute, currently covers 60 percent of the area planted with early tomatoes, and about 80 percent of the area sheltered with plastic. Positive results have also been obtained in the land improvement area, with faculty and students from the land improvement school participating effectively in the design and construction of the Rasova-Vederoasa (Constanta County) irrigation project, in soil erosion control in the areas of Berheciu (Vrancea County) and Aldeni (Buzau County), in the drainage and drying of the Luciu-Giurgeni (Ialomita County) system, and so on. Similarly notable are the results obtained in exploiting the wastes and drainage from pig-raising industrial complexes, in reducing the consumption of energy and various materials, in lowering pollution, in decreasing the use of chemicals, and in environmental protection.

Deeming these results as insufficient, not only in volume, but especially in the manner in which the research was carried out and executed, and in their need and usefulness for agricultural practice, we adopted efficient measures to improve activities. To begin with, we are interested in fully exploiting our available research potential by establishing tasks at the level of each faculty's functions, training, and accumulated experience. Secondly, in order to support production growth, we have increased the amount of research carried out directly in agricultural units by faculty and students. At the same time, we assure the valorification of results both in the respective units, as well as in nearby ones with similar production conditions.

In order to increase the efficiency of scientific research, we have formed interdisciplinary research collectives which are in a position to fully, locally, and efficiently solve the comprehensive problems that are facing agricultural production.

Closely bound with the above, is the problem of faculty upgrading. We cannot overlook the fact that we are training specialists who will work with the technology of the year 2000 and of the beginning of the third millenium, and that the present technical-scientific revolution has made huge strides in the biological sciences, a domain in which we should expect fundamental discoveries in the years to come, discoveries which can radically transform the technology of agricultural processes. Under these conditions, no matter how well a specialist is trained when he graduates, he will inevitably be left behind, a victim of routine, and will become somewhat of an impediment to agricultural progress, unless he carries out a constant scientific activity, and studies the specialized literature so as to always remain informed of what is new. These are the requirements which Nicolae Ceausescu had in mind when he pointed out the need for being constantly concerned with the periodical upgrading of all agricultural faculties under production conditions. The efficiency of annual training and upgrading courses will be enhanced by the fact that the best specialists will be drawn into this activity, and that their upgrading will be organized in areas and units most suited for this purpose.

One essential aspect of the agrarian revolution is the qualitative change in the organization and management of agriculture. This implies a continually stronger role for state and cooperative unified agroindustrial councils, the generalization of the experience gained by leading agricultural units, a firm application of the new economic-financial mechanism, higher efficiency for agricultural production, reduced costs, and especially material costs, and higher profitability for agricultural units. We are faced with special economic demands, which necessarily mean that the future specialists must have a sound economic knowledge, know how to skilfully manipulate economic leverages, acquire good stewardship habits, competently lead agricultural units, and efficiently administer the goods entrusted by society. That is why students must receive a solid theoretical and practical economic training while still in school, and acquire the habit of looking at agricultural production problems not only from a technical specialty standpoint, but also from an economic one. This habit of managing an agricultural unit is gained during the practical organization and management activities conducted during the last year of study in leading agricultural units.

Given the special importance of economic and efficiency problems, we believe it would be useful to analyze the possibility of training agricultural accountants in agronomic institutes. In support of this proposal, we should point out that the best results in training accountants were obtained during the 1970-1975 period, when agricultural economy departments operated as part of agronomic institutes. Moreover, those who graduated during that period are still working in agricultural units, while graduates of recent years, although trained for agriculture, have left it for jobs in other sectors of the national economy.

In the same context, it would be useful to analyze the possibility of also training mechanical engineers as well as engineers for the food industry within agronomic institutes. This would assure a unified system for training all specialists oriented toward agriculture and the food industry, in full accordance with the present requirements for agricultural integration.

As Nicolae Ceausescu stated during the speech mentioned above, the agrarian revolution also implies a revolution in thinking, the formation of an advanced, revolutionary consciousness. The fulfillment of the agrarian revolution demands from the future specialists and all those who work in this branch, not only a high level of scientific and professional training, but also a high revolutionary consciousness, an expanded political and ideologic horizon, and a knowledge and application of the laws of social development.

Those who work in agriculture are only those who know agriculture and love it, who are captivated by agricultural activity, and who know and become integrated into village life. That is why access to higher agricultural education institutes must be given especially to those who have worked in agriculture, who know both the satisfactions and difficulties of agricultural work, who have decided to devote all their capabilities and strength to lifting agriculture and village life to the level of the standards of our socialist society. That is why we believe in the usefulness of introducing aptitude tests in university admission examinations. No purpose is served by having graduates of higher agricultural education institutes seek jobs in offices or other sectors of activity. Their place is in agriculture, working at the profession for which they have been trained.

In the light of the above, a substantial improvement must be made in the scientific and political education activities of faculties in agricultural institutes. In particular, it is necessary to perfect their own training, as an indispensable condition for improving the content of courses and practical projects, and of the entire instruction and education process, at the level of the newest advances of science and technology. Faculties must become more directly and efficiently involved in scientific research activities, especially in terms of fully and efficiently using land resources, raising their productive potential, creating biologic materials with high production capabilities, formulating new production technologies with higher economic efficiency and reduced energy consumptions, perfecting the system of agricultural machinery, and formulating improved methods of organization and management of socialist agricultural units. At the same time, they have the duty to participate directly in solving concrete problems of agricultural production.

The fulfillment of the agrarian revolution raises large problems in personnel training, not only at the higher levels, but at intermediate ones as well. Highly responsible tasks in this respect become the obligation of specialized agroindustrial high schools. Each county currently has a wide network of such educational units, with an enrollment of nearly 87,000 students. Added to these are more than 5000 students in professional schools, and 1000 in schools for agricultural foremen.

The first order of importance in raising the level of intermediate specialized education, is to improve the content of the instruction. Agricultural high schools are intended to provide students with the best theoretical and practical training, so that graduates will be capable of entering directly into production and of making a satisfactory contribution to activities and to the achievement of superior results in production. This can only be obtained from good technical training and sound practical knowledge.

At the same time, it is necessary to improve the ratio between specialized personnel with a higher education, and specialists with intermediate studies, in favor of the latter. Currently, of the some 45,000 agricultural specialists who work directly in agriculture, 56 percent have had a higher education and only 44 percent have graduated from intermediate studies. This ratio is unsuitable. In other countries with an advanced agriculture, the number of those with intermediate training exceeds the number of specialists with a higher education. We believe it is normal that there be two to three technicians with an intermediate education for every specialist with a higher education. This defines the need for a considerable increase in the number of intermediate personnel in agriculture.

The technical and professional training of workers in agriculture is a priority objective in the vast and profound process of revolutionizing our agriculture. For faculties in agricultural education at all levels, a great professional satisfaction and a sentiment of fulfilled duty are synonymous with an unflagging activity in forming and training agricultural workers at the levels demanded by a modern agriculture of high productivity and profitability.

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## EFFECTS OF COMPETITION, RISK ON INDUSTRIAL SUPPLY SYSTEM

Bucharest ERA SOCIALISTA in Romanian No 13, 5 Oct 81 pp 8-10

[Article by Dr Dumitru Fundatura]

[Text] The building of the current five-year plan has naturally envisaged the qualitative aspects of improved methods in planning, organizing, and providing technical-material supply, so as to meet the domestic needs for major raw and other materials from domestic resources. The same purposes are meant to be served by numerous measures regarding optimum materials flow and transportation, greater responsibility in respecting plan and contractual discipline, the elimination of intermediate links when these lead to higher social costs, and a more intensive effective redistribution of available material resources. Technical-material supply is known to be an extremely complex and dynamic process, which interacts with the most diverse activities, operations, and sectors, thus making it necessary to constantly, while in operation, adapt the theory and practice of distribution to new conditions, new demands, and new levels of development. Keeping in mind the indications given by Nicolae Ceausescu in his speech to the Second Congress of Workers' Councils, and considering the premises that must be assured to achieve a new quality, it certainly appears necessary to perfect the organization of supply and distribution so as to support a continually higher economic efficiency in all activities.

An analysis of the three basic components in the economic activity of enterprises--supply, production, and distribution--discloses the powerful interdependence, the dialectic connection, which exists among them, and the causal relationships, which in the case of shortcomings, cause chain reactions and operational problems for all the parties which contribute to an economic process. At the same time, it must be remembered that the technical-material supply process is the one which is blamed for failures in all activities: failure to achieve physical production at planned levels, delays in starting production capabilities on schedule, postponements in the arrival of imported products, and so on. All of these are translated in shortages of materials, thus reducing the supply volume and affecting the continuity of production activities.

All of the above are only a few arguments to show that the emphasis is, and must be placed on the organization of the system, on the manner in which products are moved from the production sphere to the consumer, and on the constant synchronization of supply rate and consumption rate. This is particularly clear since technical-material supply is by definition an economic process which does not occur

solely in time, but also in space, among enterprises, through lasting relations established among them. This being so, it appears necessary to narrow the gap between organs in the supply and material production systems, establish a closer bond between them, and assure an interpenetration of the two economic processes, so that the entire supply-production-distribution flow will occur at planned parameters independently of the subordination of the organs which must carry out each of these tasks.

In connection with this, I believe that the focal point in assuring a satisfactory supply and distribution of means of production must exist in counties, where enterprises in fact create the materials involved in the shipping and receiving of goods established in the plan. It is the manner in which these economic obligations are fulfilled in each county that determines the success, at the scale of the national economy, of the entire process of technical-material supply.

#### Competition, Rivalry, Contest: Complementary Concepts

The increasingly vast and complex processes that are being carried out in our national economy, including in the field of technical-material supply, imply among other things the revision of some economic concepts and categories, and the reintroduction of some ideas that have been rejected until now, such as the idea of competition in socialism.

The historic moment and the conditions of the inception of competition are well known, as are the negative consequences of its broad, unchecked manifestation in the capitalist economy. The socialist economy however, creates secure conditions--we are thinking for instance, of the socialist ownership of the means of production, and the plan-based management of the socioeconomic development process--which make it possible to eliminate the negative effects of competition in the development of society and in the production and flow of goods.

At first sight an incompatibility would seem to exist between the known action and effects of competition on one hand, and the coordinated development, based on a unified plan, of branches, sub-branches, and enterprises, on the other hand. But the phenomenon must be examined in depth and in all its implications, so as not to discard its positive aspects together with its negative ones; it can exist in a restricted, limited, directed, or modified form, so that the features which can increase the efficiency of activities can be used to the advantage of society and the economy. And if the word "competition" has acquired a pejorative meaning as a result of its negative manifestations through the years, it can be replaced under our country's present conditions with the words rivalry, contest, emulation, and so on. But independently of the term that is selected, the fact remains that the phenomenon in question does have a certain positive role, which can and must be exploited more extensively in the interest of socioeconomic development in our country.

In last year's speech to the Workshop of Activists and Basic Cadre in Consumer Cooperatives, Artisan Cooperatives, Agricultural Production Cooperatives, and People's Councils, Nicolae Ceausescu stated: "We must not exclude, but rather encourage competition. Where would be the harm in finding in one locality two similar units which can satisfy the people's needs, and which would compete with each other for better operation? There would be no harm and we must indeed encourage such competition".

Given this point of view, open to what is new and better, we must of course also indicate that the multitude of concrete situations generate a multitude of solutions and results, which inevitably differ from one another. The general process of social development presumes the existence of microprocesses and a specific contribution (on the part of each enterprise) which is coordinated and integrated at a macroeconomic scale, in keeping with the dialectic relationship between particular and general, between the simple and the complex. Any given enterprise examined separately exhibits specific production, distribution, endowment, technical capability, and creativity conditions which cause it to achieve certain efficiency indicators, different from those of an enterprise with other conditions, and with a higher or lower profitability coefficient, depending on whether its technical, material, and human resources are used better or more poorly.

Specific conditions and the manner in which they are used also logically lead to different economic results in the valorification of labor's results, which means that some products will be in greater demand than others. In some cases for instance, a product of the same type, shape, dimensions, color, and finishing as another, fabricated according to the same specifications, but in two different enterprises, will be more in demand than the other. In most cases, the differences between similar products result from the different application of a manufacturing technology, from differences in the training and experience of the collective, in its initiative and pursuit of the new, in self-betterment, in the organization of labor, and so on.

Consequently, in a selling and buying situation, consumers first seek the products with the best qualities from a given enterprise, and only afterwards look for the other products. This is an objective phenomenon with an obvious explanation: why should it not mean that there exists a competition, a contest between similar products fabricated by the enterprises Policolor in Bucharest, Azur in Timisoara, or the Oradea Paint Plant, as long as some products of the Bucharest enterprise are better, more resistant, and in greater demand, while other products manufactured in Oradea or Timisoara are preferred over those made in Bucharest? This situation is valid in all cases in which two or more producers supply the same product, or even when two similar products are manufactured in one enterprise.

The results of this competition ultimately mean better products, superior to those of other enterprises. Except that this should be reflected both in economic results and in greater incentives for the respective collective; thus, whether good or bad, attractive or ugly, the incentive element disappears if the products return the same value, and there arises the danger that initiative and creativity in the work collectives of production enterprises will not progress above a certain level.

Several solutions in my opinion, could encourage true competition among enterprises toward obtaining results of superior quality. The first is a coefficient greater than unity, to be established case by case, which will be applied to correct the volume of net production in enterprises whose products are of better quality than those of other enterprises. This would encourage the enterprises which best and most rapidly make use of the results of science and technology, which demonstrate the greatest initiative and acceptance toward demands, which most rapidly perfect their products or adopt new models of the same product, and which continually introduce new products on the market, drawing attention to the plant's brand, gaining the confidence of customers, and leading in the competition with other enterprises. In the case of qualitatively superior products (more attractive,

resistant, fashionable, timely, regional, and so on), another solution would be for production enterprises to benefit from a distribution price coefficient which would increase the material incentive of the respective work collective, thus further encouraging and involving the creativity and the intensive utilization of the entire potential of the enterprise.

Some subjective elements also enter in this type of competition. For instance, an enterprise may find itself last in competition because of poorer labor organization, less qualified personnel, and so on, which would prevent it from achieving outstanding results. But it is not ethical or fair for an enterprise which makes optimum use of all its available resources and leverages, to obtain the same incentives as an enterprise at the tail end of the competition. That is why a differentiation is necessary in the valorification of production, to provide incentives for all collectives in obtaining superior results.

The problem is valid both for consumer goods and for the means of production that are involved in technical-material supply, even when they are centrally distributed. Better materials mean better products and lower costs for bringing the materials to the parameters required for technical processing, and they mean an overall improvement in the supply and distribution process.

#### Economic Risk Cannot be Avoided

A number of factors or circumstances, which are more, less, or totally beyond control, intervene in any economic activity; they act randomly and can negatively influence anticipated results or the unhindered pursuit of the activity. In technical-material supply in particular, these factors are at times more forceful because of the dynamism and complexity of the process, and especially because of the many aspects and elements that must be considered in the organization and execution of this activity. These factors are generally known as risk factors, and they generate consequences which materialize in what we define as the economic risk of an activity.

In our country's economic and legal theory and practice, risk theory, the problem of economic or commercial risk, as a concrete manifestation of risk, has not yet found a unified, rigorously based and delimited framework, to deal with the many events that arise in technical-material supply activities. The measures applied at a macroeconomic level take into consideration the fact that although the country's unified national plan of socioeconomic development does provide a high level of awareness and control of economic phenomena and processes, of their effects and manifold influences, it is nevertheless true that the complexity of socioeconomic life, the vast development of the country, can engender the occurrence of factors--endogenous or exogenous--which have not been or could not be taken into account in formulating the plan, and whose consequences are reflected in risk situations. In order to prevent these negative effects or to effectively remove them when they occur, appropriate economic-mathematical methods are used in formulating five-year or longer range plans, reserves are determined for unpredictable cases, stocks (especially security stocks) are formed at producers and consumers, effective measures for effective redistribution of material resources are established and applied, and obligatory responsibility clauses are written in contracts and agreements.

At the microeconomic level however, the economic risk theory does not always apply properly--or at all--to the efficient operation of the supply and distribution process. For instance, the distribution and transportation of goods from supplier to customer is carried out at the customer's risk, but the latter is not provided with the ways and means for risk-avoidance actions. Sending delegations to suppliers to accompany goods, taking measures for packaging, stabilizing, and protecting goods, as well as other measures, involves large expenditures of money and manpower, which customers do not have and which are not justified under present conditions. Each of the three parties in the operation (supplier, transporter, and customer) are socialist units and should each be responsible for its tasks and for the manner in which it fulfills its share of activities.

Or take another case: when receiving a shipment, the customer must count every last nut and bolt from the supplier, since these are delivered as parts. Since this involves hundreds of million parts of each type, and since these operations are carried out two, three, or even four times for each shipment, it is easy to perceive the enormous amount of time and labor that is wasted without justification. The eventual loss of ten, or even 500, parts in a lot of one million, is far less expensive than the effort made to receive these products piece by piece. Socialist ownership of the means of production naturally imposes a great, attentive, and responsible care for the portion of the national wealth entrusted to a work collective; but society must also husband its efforts to assure the fulfillment of priority tasks, rigorous stewardship of goods, and strict respect for the principles of the new economic-financial mechanism, so as to achieve an increasingly higher economic efficiency. Under these circumstances we must have recourse to the means which provide the best management security with the least total effort.

The largest domain in which economic risk is seriously felt, is that of long term economic relations. In order to avoid discrepancies between economic parameters established at the beginning of a period and those effective during the same period, and thus to avoid the risk of a wide gap between projections and achievements, economic units prefer to make short-term contracts, usually for one year. They consider the fact that material distributions and manufacturing programs assure a high degree of certitude, thus protecting them from unpleasant surprises along the way, which could change the structure of their economic activities. They overlook the fact that less than 5 percent of the long-term contracts changed during their entire period, and then only because of objective causes determined by changes in the production structure, particularly for export.

Risk is an economic category of an objective nature, which also acts in the socialist economy, but in a narrower area that is well known and that can be controlled. I believe that we must identify all operations and activities which incorporate risk situations, formulate measures which will elasticize some relations which are very rigid at present, simplify and facilitate some operations, and in any case make them less expensive, thus reducing the large volume of labor, materials, and costs that are now being expended in fear of risk and of the consequences--personal at times--which it entails. We must start from the real situation that the total volume of expenditures made to prevent risk is currently higher than the effects of the risk.

In this respect it would be useful to study the possibility of regulating the dissemination of simplified and efficient methods for shipment receipt and management (selective method, method of lot sampling, method of significant sampling), packaging systems with guaranteed fixed contents, more containerization from suppliers, new methods for conducting economic activities (decisions under risk conditions, ABC method, method of discontinuity thresholds, and so on), the establishment of long-range economic relations based on known economic-mathematical calculations, and so on.

In general, the theoretical clarification and practical regulation of forms of risk manifestation, are likely to localize the effects of risk, reduce the costs of operations which involve risk, encourage enterprises to form an open, long-range concept of socioeconomic development, and continue to perfect systems and methods for production management, organization, and planning, for technical-material supply, for product distribution, and for all aspects of economic and social activities. All of which are an unquestionable part of our general struggle for a new quality in all areas.

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INVESTMENT SHIFT FROM INFRASTRUCTURE URGED IN SERBIA

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[Article by Scepan Rabrenovic]

[Text] For 15 years Serbia has been investing in highway construction, river flow regulation and other infrastructural elements; now it is time for industry.

The document on development for next year contains a number of coercive features but few economic determinations or decisions. That is the basic message from a 2-day conference last week in the cold Sumarice hotel in Kragujevac, where Serbian economists discussed this draft republic resolution.

These determinations have been forced by large foreign debts and the resolve to keep the balance of payments deficit below 500 million dollars (according to Professor Mladjen Kovacevic, "in 1980 the foreign debt total reached 32 percent of the country's GNP"). Such a small payments deficit (small in comparison with previous years) can be realized only if exports increase 8.5 percent in real terms. At the conference, much scepticism was expressed about certain concrete determinations. (Dr Davor Savin said, "It is anticipated that retail prices will increase by only 15 percent next year. That may be calming before one goes to sleep, but a question remains as to the realism it contains.") Forced determinations and decisions can produce only forced results; the modest rate of anticipated economic growth contradicts the economic stabilization policy.

To make matters worse, about half the foreign debt stems from consumer financing, not from development. Because of this factor, the economists at the meeting resolutely called for the country to avoid incurring such debts for domestic financing of consumer purchases in coming years. The only question is the degree to which that will be possible, when imports of equipment will be held to a minimum and priority given to imports of raw materials and semiprocessed materials, all to keep the factories from stopping. The consequences of this sort of forced determination will be felt only in a few years.

Unemployment

According to this meeting, and on the basis of conversations during the breaks, in the coming year Serbia will have some problems that are not so pronounced in other regions of the country. This primarily involves employment.

According to the latest data, last year 785,000 were unemployed in Yugoslavia, including 274,000, or about 34 percent, in Serbia proper. Furthermore, last year in Serbia proper, not including the provinces, there were in absolute numbers more unemployed than in the other developed parts of the country together, including Slovenia, Croatia and Vojvodina. Similarly, last year in Serbia proper there were more unemployed in absolute numbers than in the three underdeveloped republics together, including Bosnia and Hercegovina, Montenegro and Macedonia. In Belgrade alone, there are as many unemployed as in all of Croatia (about 60,000).

The structure of unemployment distribution, and not the absolute number alone, shows how pronounced this problem is in Serbia. A steady decrease was noted in the mechanical transition from agriculture to nonagrarian economic activities; among the unemployed are mostly qualified, capable workers. As a rule, they are also young workers: of the total number unemployed, more than 80 percent are less than 27 years of age.

The number of unemployed is growing precisely in the large cities and industrial centers, for the second- and third-generation of former farm workers have come to these locations. They are essentially "pure proletarians," who no longer have the ties to the land that their fathers and grandfathers had, so that they can no longer count on "supplementary income from the land."

Thus, the employment problem is becoming the number one developmental issue for Serbia. This is not only because of the large percentage still engaged in agriculture (about 35 percent more than in some underdeveloped republics such as Montenegro and Bosnia and Hercegovina) but also because unemployment is a complex developmental, economic and social question. To be employed means to be covered by social insurance, possibly to be included in self-management social events. Along with that, increased employment is a basic prerequisite for increasing labor productivity.

#### Rivers and Roads

This amount of unemployment is chiefly the consequence of Serbia's developmental orientation during the past two intermediate plans, which insisted on the production of energy, raw materials and food. In its essence, that was not a mistaken orientation, but over the long term it demanded enormous capital, while these activities had little impact on expanding employment and income. From 1971 to 1978, unemployment in Serbia proper more than tripled. Because of this developmental orientation, Serbia's share in world exports declined, retarding integration into the international division of labor.

Undenably the growth of unemployment in Serbia has been influenced by the so-called "unfavorable investment cycle" of investments in major infrastructure projects. This cycle has been underway for more than 15 years and includes investments in the main automobile highway, other truck routes, energy installations and transmission grids, river projects including dams for regulating the Danube, Sava and Morava rivers and reservoirs to supply water to cities and whole regions.

In fact, these were at least in part essential investments. Without them, in the fall and the spring the rivers would still flood the fields, and many cities would be thirsty today.

## Industry

The consequences of infrastructural development are clear today: Serbian industry is lagging, not only in terms of available capacity for production but also in technical and technological advances, while it suffers from structural shortages. Dr Cedomir Veselinovic, of the Institute for Industrial Economics in Belgrade, spoke on this topic.

For example, in the past 7 years, the share of ferrous and nonferrous metallurgy and basic chemicals in the structure of industry in Serbia fell from 27 to 25 percent, even though it was supposed to increase from 27 to 30 percent. On the other hand, the share of the metal-processing industry increased from 26.6 to 33.6 percent, or by a full percentage point each year. These facts alone explain the high import dependency of this industry. For this reason, Serbia must give priority to imports of semimanufactured raw materials, over equipment, thus doubtless slowing development for several years.

Furthermore, according to data from August 1981, the share of heavy industry in the industrial structure is 48 percent, while light industry makes up 40 percent. In developed countries these proportions are reversed.

In the past 7 years, the share of food processing in the industrial structure has fallen from 11.5 to 10.4 percent. Precisely these data explain convincingly the frequent shortages of agricultural products, as well as the markedly slower growth in food production (in the last intermediate plan, food production grew at a rate of 1.6 percent, instead of the planned 4 percent).

In Serbia the unfavorable investment cycle is supposed to end by the middle of the current intermediate plan period; i.e., by the end of 1983. By then completion of the Smederevo metallurgical complex, as well as the opening of the Veliki Krivelj copper mine and perhaps the completion of the main highway is expected. Also slated for completion are several thermoelectric power plants and hydroelectric power plants. All these projects involve large amounts of capital; after their completion, accumulating capital will be directed toward industry. There will be insistence on the kind of development that will provide greater income and greater employment.

In Serbia, officials are depending on the development of machine building, electrical machinery production and electronics. They also foresee dynamic development of the food-processing and pharmaceutical industries, building materials industry, ferrous and nonferrous metallurgy and the chemical industry.

The development of these branches will be based on the development of energy sources, raw materials and food supplies within the republic, which means that the development of energy, raw materials and food will be a function of overall development, not independent and unrelated to other branches of the economy as previously.

## Coercion in the Marketplace

As a developed republic, Serbia must continue regional development for a long time. In Serbia proper is a large undeveloped region that, according to the plan extending to 1985, includes 51 opstinas and more than 1.5 million inhabitants. On

the other hand is Belgrade, a large urban agglomeration with a superconcentration of economic and noneconomic activities "assaulted" by an army of unemployed. The harmonious development of these two extremes will determine the shape of development in Serbia.

Forced determinations in development push aside many realistic possibilities of particular regions and of Serbia as a whole. The question arises as to whether we can "force" greater respect for economic principles and the functioning of market factors.

Milan Dragovic, vice president of the Serbian Executive Council, provided the following answer to this question at the Kragujevac meeting:

"That is the chief contradiction, for only the functioning of economic principles can bring us into a more equal position in the world and enhance certain elements that already exist in the system and that should make this system preferable to other systems. The longer we postpone the application of these economic principles, the less success we will have in our economic stabilization policies, and consequently we will suppress the system itself."

[Inset 1, p 12] Politics Based on Need

In a conversation with a NIN correspondent, Dr Bora Jovic, president of the Republic Social Council for Economic Development and Economic Policy, evaluated the draft documents on next year's development as follows:

"The proposed economic policy for 1982 results from deep economic difficulties that our society has encountered. Very low rates of economic growth are proposed, with corresponding employment expectations and a bare maintenance of the living standard. Even though these rates are the lowest projected so far, they can be regarded as hard to achieve. Economic policy proposes a basic reduction in the inflation rate to about 15 percent, which would still be one of the highest rates in Europe. At the same time, there is little likelihood that this rate can be achieved.

"Increased exports have justifiably been given first priority, but apparently these projections must be achieved at any cost. That would contribute to solving the problem of facility utilization, which seems to be the central problem, yet a number of other difficulties can arise, such as meeting domestic demand, the reverse effect of raising domestic prices and the like. In a word, this is not a matter of a proposed policy of stabilization; there is no such concept. Rather, it is a matter of policy imposed by need, the need to survive without greater convulsions and traumas. First of all, we must provide the necessary foreign exchange capital for facility utilization. Everything else is a lower priority. From the viewpoint of the social problems that could arise, that kind of policy is unavoidable."

[Inset 2, p 13] On the Effectiveness of the System

Nikola Stanic, MA, spoke at the meeting in Kragujevac about the reduced effectiveness of economic operations. He said that, in 1970, 100 dinars of

invested capital produced 39.3 dinars of income, while 10 years later that 100 dinars would produce about 30 percent less income.

The effectiveness of investment has also declined. The share of basic capital investments in the social sector of the economy was about 16 percent between 1971 and 1976, while from 1976 to 1980 it reached about 23 percent. About the same rate of economic growth was achieved in these two periods. Development of Serbia (and the same holds true approximately for the rest of the country) was about 40 percent more expensive in the period 1976-1980 than from 1971 to 1976, indicating a decline in investment effectiveness.

Addressing the causes for this change, Stanic said among other things that in Yu, "Serbia there is a certain sociopolitical disagreement about the effects of the economic system, in the narrow sense, on the gradual emergence and accumulation of problems in the country's socioeconomic development: "It is a matter of equating the economic system, in the narrow sense, with self-management as the basic socialist production relationship that cannot be questioned. Because of this misunderstanding, criticism of the economic policy and other actions, is often labeled as an attack on the entire system, and the critics are lumped together with those who are opponents of self-management. This certainly is not good. On the theoretical level, economists must make efforts to eliminate these disagreements and to assist sociopolitical workers in stimulating the development of knowledge to find the best solutions for the economic system, including measures and mechanisms for the continued development of self-management social relationships."

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